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ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

Quebec Quebec

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held
in the Court House, Quebec,
Quebec, on the 19th day of
March, 1960

COMMISSION

Mr. M. A. MacPherson, Q.C.	Chairman
Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. H. A. Mann	Member
Mr. A. Platt	Member

COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.	
Mr. G. S. Cumming	
Mr. H. W. Ellicott	Adviser
Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary



Quebec, P. Q.,
Saturday,
March 19th, 1960

---On commencing at 9.30 a.m.

THE CHAIRMAN: Will you come to order,
gentlemen, please.

MR. SINCLAIR: Mr. Chairman, before the
formal proceedings commence this morning, I would like
to say on behalf of counsel who are here and on behalf
of counsel who have appeared before the Board of
Transport Commissioners and Royal Commissions on many
occasions how sorry we were to learn of the death
yesterday of Mr. Hugh O'Donnell. Hugh O'Donnell had
a brief from the Canadian National Railways from the
earliest postwar freight rate cases. He carried
that brief with great distinction and served his clients
well.

Aside from his work in the proceedings, he
was a good friend to many. His undoubted ability and
his great ability for friendship made it very unfor-
tunate that he had to leave us so soon.

On behalf of particularly my friend Mr. Frawley,
who unfortunately is not here and who was associated
with Mr. O'Donnell for so long, and also on behalf of
myself, I do wish to say that we feel this loss very
keenly.

MR. DROIN: Mr. Chairman, I heartily concur
with my friend. I knew Mr. O'Donnell very well. As a
matter of fact, I was associated with him when I was
Botannier of the Bar at Quebec, and he was Botannier of
the Bar at Montreal, and we deeply regret his passing.



1 MR. MACDOUGALL: I would also like to add
2 my words to those spoken of Mr. O'Donnell. As you
3 know, he represented Canadian National in a very
4 distinguished manner, not only before Royal Commissions,
5 such as the Turgeon Commission, but also before the
6 Transport Commissioners, and I had the honour to work
7 very closely with Mr. O'Donnell on a number of matters
8 and got to know him very well, and held him not only in
9 high esteem for his legal knowledge and ability but
10 also for his friendship, and I would not like this
11 moment to pass without saying on behalf of my clients
12 and also our Law Department how deeply we feel the loss
13 of his passing.

14 THE CHAIRMAN: Gentlemen, I, too, knew Hugh
15 O'Donnell very well. We worked together for a period
16 of almost fourteen years, and I held him in the highest
17 respect. I very much appreciate what counsel have
18 said, and I join with them that I regret very much that
19 Quebec and Canada have lost such a distinguished counsel
20 as Hugh O'Donnell.

21 I think with respect to him we should stand for
22 a moment.

23 Gentlemen, yesterday we got into rather a
24 chaotic position, and we want to get cleared up today.
25 The practice, of course, of the Commission is that when
26 a submission is made, then immediately there is cross-
27 examination on the submission. That must be followed
28 here. Yesterday we got into the position of further
29 evidence being called. Now, there was an objection
30 taken by the railways to two items in the submission.



1 If the railways had not made objection, then this Com-
2 mission would have been bound to accept the principle
3 that not even the highest court of Parliament can dis-
4 cuss or judge that which is before the courts, and while
5 this may appear rather strange to laymen, it is a prin-
6 ciple that is very much ingrained in our history.

7 Consequently, we cannot hear evidence having to
8 do with those cases before the courts, either here or in
9 the United States; and in respect of the first witness
10 that was called by Mr. Archambault, that again, while not
11 the exact case that is before the courts, it is, as we
12 understand it, of similar effect and cannot be heard.

13 I think now, to get back on the rails again --
14 for that is where we must be -- the submission before
15 the Commission is now open for cross-examination, and
16 after cross-examination Mr. Archambault will be quite
17 free to produce any further witnesses.

18 The Commission is most anxious to find out the
19 truth in respect of trucking, because we recognize trucking
20 is a most important part of the transportation economy.
21 We are very much concerned with trucking, and we will now
22 proceed. The submission is in, and we will ask for any
23 cross-examination there may be on the submission. If
24 there is none, then we will proceed at once, Mr.
25 Archambault, with any additional witnesses you may call.

26 As I understand it, referring to some of the
27 witnesses, you are not calling them to contradict either
28 Mr. Dauphinais or Mr. Sheehan but to explain, and this
29 Commission has a very high regard for the type of evidence
30 that was given by Mr. Dauphinais and Mr. Sheehan who have



1 come here to help this Commission and help all of us.

2 Now, we will be back on the basis of any
3 cross-examination on the submission.

4 MR. ARCHAMBAULT: Mr. Chairman, may I say a
5 few words on this point?

6 First of all, I should like to associate my-
7 self with the expressions of sympathy and the tributes
8 made by counsel a moment ago to Mr. Hugh O'Donnell.
9 I did not know him very well. However, I had the
10 privilege to be cross-examined by him in his usual way,
11 if I may say so, in front of the other Royal Commission,
12 and I should like to associate myself with the expres-
13 sions of sympathy made here.

14 In our industry, the trucking industry, yesterday,
15 too, we lost a pioneer on transportation rates, Mr.
16 Antonio Des Groseillers, who died yesterday.

17 After these few words, would you allow me to
18 add this, Mr. Chairman? We are not here in order to
19 criticize anyone; we are not against anyone. We are
20 only trying to do our best by the industry we represent
21 and the various members of our Association in the
22 country. We have rather specific problems. We began
23 road transportation here in Quebec thirty years ago
24 as pioneers. We established our industry, and I
25 believe that the Commission will recognize that it is
26 quite normal that we should try to defend our interests.

27 THE CHAIRMAN: We are not blaming you at all.
28 You would be neglecting your duties if you did not do so.
29 But we must get on with the business of the hearing. I
30 take it, Mr. Archambault, that you yourself will be the



1 witness to be cross-examined.

2 MR. ARCHAMBAULT: Mr. Chairman, I am sorry
3 to take up the time of the Commission, but there are
4 certain points that we wish to clarify in order to
5 show to your Commission what the position is as regards
6 transportation here in Quebec. Mr. Dauphinais and
7 Mr. Sheehan of the Chambers of Commerce, for which I
8 have a great deal of respect, made certain statements
9 in front of the Commission, and I believe they were not
10 correctly informed or mistakes were made, and we did not
11 wish to leave the Commission under that impression by
12 certain statements made yesterday, and I do wish time
13 will be given us to correct certain statements made,
14 no doubt in good faith.

15 However, they were misinformed. I do not
16 know what procedure we will follow. I hope we will
17 have time to correct certain statements which were made.

18 THE CHAIRMAN: Well, we will go on with the
19 cross-examination of the submission. Mr. Archambault, I
20 suppose you will give evidence on that; it is your sub-
21 mission.

22 MR. ARCHAMBAULT: What we wish to ask you is
23 that we should be allowed to supplement our brief by
24 asking the witness Mr. LaFlamme to give evidence. He
25 will officially present the supplementary brief of the
26 Association.

27 THE CHAIRMAN: I thought I made it clear, Mr.
28 Archambault, that we will first of all have cross-
29 examination on the brief and then you will have freedom
30 the rest of the morning until we have to catch the plane.



1 The morning is yours. You have the whole morning to
2 get any evidence which you wish. We must catch our
3 plane, and if you will come to the box, Mr. Archambault,
4 and if there is no cross-examination, then, of course,
5 you may call your evidence.

6 Mr. Macdougall?

7 MR. MACDOUGALL: Yes, Mr. Chairman.

8 THE CHAIRMAN: Mr. Archambault, I want to
9 make it clear that we are most anxious to hear Mr.
10 Laflamme, and as soon as your cross-examination is over
11 you may call him.

12 MR. ARCHAMBAULT: Thank you very much, Mr.
13 Chairman.

14 MR. ANGER: If the Commission permits, before
15 Mr. Macdougall starts cross-examining Mr. Archambault,
16 I would like to put a question to him.

17 CROSS-EXAMINATION BY MR. ANGER:

18 Q. Mr. Archambault, I have noticed yesterday
19 morning in the newspaper a news story with a heading in
20 block capitals on the subject of the statements made by
21 the trucking association against the railway companies.
22 Now, this news story appeared yesterday morning before,
23 in fact, this Commission became officially aware of your
24 brief. I do not know that there is anything particularly
25 illegal about this. However, it did strike me as a lack
26 of good courtesy and a lack of good judgment, to which we
27 are not accustomed in the Province of Quebec.

28 My question will be the following one: Did
29 you cause this news story to be published yesterday
30 morning before your brief was officially submitted to the
Commission?



1 A. First of all, Mr. Chairman, the Commis-
2 sion received twenty-five copies of our brief more than
3 fifteen days ago. I am as sorry as you are
4 that such an article should have appeared when it did
5 appear. We sent a copy of our brief a few days ago,
6 or rather we handed a copy of our brief to some newspaper
7 men who had asked for it, and we told them not to pub-
8 lish anything before 10.00 a.m. on the 18th of March.
9 That was the date we had indicated, that Mr. Anderson,
10 the Secretary of the Commission, said that was the date
11 on which we were to appear before the Commission. So
12 the news story was published without our consent, without
13 any consultation with that newspaper. The newspapers
14 did not consult the Trucking Association, and we regret
15 it just as strongly as counsel.

16 THE CHAIRMAN: I think that will close that
17 discussion.

18
19 CROSS-EXAMINATION BY MR. MACDOUGALL:

20 Q. On page 2 of your brief, at the top of
21 the page, you make the comment that you consider it to
22 be in the public interest to offer transportation ser-
23 vices to the public at the lowest possible cost.

24 COMMISSIONER BALCH: Is that the English
25 version?

26 MR. ARCHAMBAULT: I think you are referring
27 to the original brief in the blue covers.

28 MR. MACDOUGALL: Q. No, the only copy I have
29 seen has no cover on it. It came to my office in
30 Montreal. It reads:



1 "The trucking industry has often been accused
2 of having progressed by offering its services at
3 lower rates than its competitors. If this
4 assertion is right, we are not at all ashamed,
5 because is it not in the public interest to offer
6 transportation service at the lowest possible cost?"

7 THE CHAIRMAN: I think it would prevent con-
8 fusion if we all had the same copy. Mr. Macdougall,
9 which copy would that be, the one I am working on now?

10 COMMISSIONER GOBEIL: On our copies, it is the
11 last two lines.

12 MR. MACDOUGALL: I would prefer to work from
13 the copy I have. That is the one I have marked.

14 THE CHAIRMAN: What are the words?

15 MR. MACDOUGALL: I have just read them into
16 the record.

17 MR. SINCLAIR: It is immediately below the
18 table in the blue copy, the one the witness has in his
19 hand.

20 THE WITNESS: It is after the figures.

21 THE CHAIRMAN: If you have copies there, so
22 that there will be no confusion we might give each member
23 of the Commission a copy of the one you are using.

24 THE WITNESS: I would like to point out, Mr.
25 Chairman, if you will allow me, that this is the same
26 brief. We have only tried to improve it a little and
27 change the the tables, and so on.

28 THE CHAIRMAN: We see. Will you start again?

29 MR. MACDOUGALL: Q. I put this question to
30



1 you, Mr. Archambault. Would you agree with me that it
2 is in the public interest that transportation services
3 of any kind be offered to the public at the lowest pos-
4 sible cost?

5 A. Not only do I think so but really we
6 indicate that in our brief.

7 Q. Not only your Association but the rail-
8 road company I represent also considers it important and
9 one which we follow as well, so we agree on that.

10 Mr. Archambault, if you turn to page 9 on the
11 copy of the brief which I have -- this is the portion
12 under the heading "Shall we remove all barriers to the
13 acquisition of the trucking industry by the railroads?"
14 In the first paragraph on page 9 these words appear:

15 "We would emphasize that the entry of the
16 railways into road transportation is not demanded
17 by the public, but only by the railway interests
18 for their own benefit."

19 Are you familiar with the brief presented to this
20 Commission in the City of Toronto by the St. Catharines
21 and District Chamber of Commerce?

22 A. Was that brief presented quite recently?

23 Q. I believe it was presented on Monday of
24 this week.

25 A. I am not familiar with that brief.

26 Q. This is what the St. Catharines and
27 District Chamber of Commerce said, and I would ask you
28 whether you agree with it. They say:

29 "The railways should be allowed more freedom
30 to act as a composite transportation medium. When



1 they find it more economical to substitute
2 trucks for trains they should be permitted to
3 enter the trucking field, subject to regulation
4 in the public interests. Similarly they should
5 be permitted to integrate air lines and steamships
6 into their operations. They have the national
7 and international organizations now to permit
8 such a diversified operation which would prove
9 helpful to the shipper, fewer pickup trucks
10 could serve this much wider field with less con-
11 gestion at shipping and receiving ramps."

12 It goes on:

13 "It is an indisputable fact that the railroads
14 are necessary to the country's needs. From this
15 premise our conclusion is that the railroads
16 should be allowed to round out their operations
17 with the flexibility of trucks because they are
18 common carriers committed to accepting any and
19 all traffic at any and all times. Highway
20 transports are not national common carriers
21 within the meaning of the Railway Act and as such
22 can refuse unprofitable merchandise for carriage."

23 It goes on:

24 "Industry in general is permitted to enter
25 new fields as they see opportunities, restricted
26 only by the initiative and product knowledge of
27 the founders. To restrict the railways by
28 confining them to their own flanged wheel would
29 not augur well for their future or the future of
30 our country."



1 Then they conclude:

2 "There is plenty of opportunity in Canada
3 for the independent truckers without placing
4 the railroads in a straitjacket."
5

6 That is the view of that organization, and I would like
7 to ask you, do you agree with it or do you not?

8 A. All the briefs presented to this Commis-
9 sion in accordance with the established procedure were
10 filed twelve days before they were allowed to be dis-
11 cussed. I would like to read very carefully the words
12 you have read before expressing an opinion upon them.

13 Q. In the same submission the St. Catharines
14 Chamber of Commerce suggests on page 5:

15 "The continued expansion of the piggyback
16 operation to provide the door-to-door service
17 of the trucks."

18 Would you agree with that?

19 A. Does the St. Catharines Chamber of
20 Commerce in its brief maintain that there is no door-to-
21 door service in its area? In order to be able to ex-
22 press an opinion on the statements I have heard, I would
23 have to read the whole of the brief. I do not think it
24 would be in order, and in fact it would not be in order,
25 if I were merely asked to reply on a certain sentence
26 of the brief out of its context.

27 THE CHAIRMAN: I think there is some point to
28 Mr. Archambault's objections.

29 MR. MACDOUGALL: Q. Let me ask you this
30 question of my own. Do you think it would be beneficial



1 to the shippers of this country for the railroads to
2 expand their piggyback services which they are presently
3 operating on a wider basis to other areas of Canada
4 now not served in that manner?

5 A. I believe that the essence of the question
6 is this. Does the public need door-to-door services?
7 If the public already has a door-to-door service avail-
8 able, why then should we add a new service which is not
9 in fact asked for or required a new service operated
10 by a government agency which has chronic deficits?

11 Q. Mr. Archambault, the words of the submis-
12 sion which I have just read to you recommending in
13 general that the railroads expand their trucking opera-
14 tions in connection with rail operations was presented
15 to this Commission by nine district traffic managers
16 of large corporations as their view of how the railroad
17 should proceed in this manner. Do you agree or do you
18 not agree with those nine district traffic managers in
19 their expression of the development which the railroads
20 should make of trucking, which I read to you as a
21 portion of the St. Catharines Chamber of Commerce
22 brief? Do you agree with that or do you not agree
23 with that?

24 A. Do you wish to know whether I agree that
25 these views were in fact put forward in St. Catharines?
26 If that is the question, I do not know, because I was not
27 there.

28 Q. No, that is not the question. Do you
29 agree or not agree with the views expressed by the nine
30 district traffic managers of large corporations in



1 Ontario that the railways should be encouraged to
2 expand their trucking operations so as to give an inte-
3 grated rail-truck service to the people of Canada?

4 A. I do not agree with this request as
5 long as the Canadian National Railways cannot prove or
6 demonstrate that they can operate services without
7 public subsidies -- and particularly so when they in
8 fact compete with private enterprise, which does not
9 receive any subsidy and which properly serves industry,
10 commerce and the public of the country.

11 Q. Your view is that it should make itself
12 a paying proposition before it goes into other fields?

13 A. Exactly.

14 Q. It should confine itself to rail operations
15 before it thinks in terms of other means of transportation.
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1 A. Before it competes with private enter-
2 prise; that is what I said.

3 Q. And you say that irrespective of whether
4 or not in the view of traffic managers, officials and
5 the public of Canada that a cheaper method of serving
6 Canada could be obtained by integrated truck
7 services?

8 A. If these distinguished people you mentioned,
9 in fact, said it would be cheaper to send goods by rail-
10 way, that does not mean that they have proved that their
11 statements were well founded. It does not mean either
12 that there are no trucks which already give the services
13 which the railways now ask for, and I am quite sure that
14 this truck service is given in St. Catharines without
15 subsidies. I find it quite illogical that the railways
16 should be asked to come and compete with a service that
17 already exists.

18 Q. Are you aware that a brief was submitted
19 to this Commission by an organization known as the
20 Canadian Metal Mining Association in Toronto at the
21 beginning of this week?

22 A. I was not in Toronto at the beginning of
23 this week; I was here in Quebec with my own brief.

24 Q. This brief that was submitted on behalf
25 of Canadian Metal Mining Association, whose member com-
26 panies I won't read because they are already part of the
27 record ---

28 A. We are really here to present a brief.
29 We want to put simple facts which are referred to in
30 this brief. Now, if you take all the time referring to



1 other people's briefs, will we have time to put our
2 views?

3 Q. All I want to do is ask Mr. Archambault
4 if he agrees with these views of other people's briefs.

5 THE CHAIRMAN: I think if he has not read
6 the brief, if you will put to him the principle that is
7 involved in the brief, then without reference to the brief
8 the answer could be given.

9 MR. MACDOUGALL: Q. Do you agree that the
10 railway companies should be permitted or encouraged to
11 engage more actively in other means of transportation,
12 such as trucks, boats, air lines, pipe lines, both in
13 competition with rail and otherwise, so that by through
14 rates to the destinations, including transfer, more
15 efficient and profitable operations may result? Do you
16 agree with that?

17 A. I do not agree.

18 Q. Then I just comment that you do not agree
19 with the Canadian Metal Mining Association.

20 THE CHAIRMAN: That may not worry him.

21 MR. MACDOUGALL: Q. Would you agree that
22 railways should have more freedom of action to abandon
23 obsolete branch lines, to eliminate losses on passenger
24 traffic and in any other respect to abolish unremunerative
25 practices?

26 A. I would agree.

27 Q. You would want them to abandon all their
28 lines, I suppose?

29 A. All that are non-compensatory.

30 Q. Is it not correct that your basic fear as



1 expressed in the general tenor of your brief is that
2 events, as you see them, are leading to a creation of a
3 railway monopoly of transport in Canada?
4

5 A. Yes, that is one of our fears, and it is
6 justified by experience elsewhere.

7 Q. How would you envisage the monopoly to be
8 created in view of the existence of a large private
9 trucking operation throughout Canada -- not for-hire
10 trucks but trucks owned by individual companies carrying
11 their own goods? How could a monopoly of transport
12 be created as long as private carriers are now operating
13 and existing?

14 A. A monopoly could be created, sir, and
15 as a point of fact there is a certain tendency at present.
16 It would happen through the elimination on each highway
17 or road of several companies.

18 Q. Do you seriously believe that because rail-
19 way companies use trucks to provide coordinated truck
20 and rail service there is a likelihood of a monopoly in
21 transport being created in Canada?

22 A. We think that the establishment of a
23 monopoly -- that there is a present trend, perhaps, to-
24 wards such a monopoly, and, if I may say this, that the
25 railways in the Province of Quebec in particular put
26 trucks on the road not only to supplement their rail
27 service but also in order to provide road transportation
28 essentially in order to compete directly with private
29 enterprise.

30 Q. So your objection is to the principle of
having a company that is owned by the people of Canada



1 competing with private enterprise?

2 A. Mr. Chairman, our main objection is to
3 be placed in the position where we should be obliged to
4 compete with a competitor who is subsidized by the
5 state, and that is the basis of our objection, sir.

6 Q. Would you agree with me that it would be
7 in the interests of the shipping public of the Province
8 of Quebec to have transportation services, efficient
9 transportation services, at the lowest possible cost,
10 having regard to the fact that the services should be
11 compensatory to the carrier?

12 A. First of all, we believe that the public
13 is at present served by an efficient road transport
14 service at rates which are equitable and reasonable,
15 in accordance with the Transport Act of the Province of
16 Quebec, and this has been established on many occasions
17 before our Transport Board when shippers have come and
18 have given evidence that they were satisfied with our
19 services, and others have added that they did not want
20 the railways to introduce or to go into the road
21 transport field.

22 Q. Mr. Archambault, would you agree with me
23 that if another method of transportation would provide
24 just as efficient and economic service the public should
25 be allowed to have that service rather than by private
26 truck in order to have a lower cost to it?

27 A. Yes; provided, of course, this service is
28 not subsidized when it competes with private enterprise.
29 That is the principle we maintain, and we insist upon it.
30 We hold that private enterprise, which has built up



1 services over the past thirty years in Quebec, must be
2 protected against any entry of any transportation
3 industry which has chronic and permanent deficits.

4 Q. At any rate, you would agree that the most
5 important person in the transportation picture is the
6 shipper rather than the carrier?

7 A. Yes, of course; that is quite evident.
8 You cannot go to any person without the shippers.

9 Q. The point is to ensure that the service
10 they provide to the shipper is the most efficient possible.

11 A. I did not say the truckers, I said the
12 shippers have stated -- they had public meetings in
13 front of our Transportation Board -- that they were
14 satisfied with our present road services, and some of
15 them, indeed, have added that they do not want the rail-
16 ways to come into this field.

17 Q. You are aware that in the United States
18 many of the railroads -- I would say dozens -- have large
19 trucking operations which are used in connection with their
20 rail operations to give an economic and efficient service
21 to the public?

22 A. The railways which have road transportation
23 services generally introduced these road services before
24 the creation of the Interstate Commerce Commission. How-
25 ever, since the establishment of the Interstate Commerce
26 Commission, which I believe is a state agency applying
27 the Sherman Anti-Trust Act or law, has in general refused
28 the railways rights to operate highway transportation ser-
29 vices.

30 Q. I am very interested in your explanation,



1 but you know that many railways in the United States
2 have large trucking operations which they use in connec-
3 tion with their rail operations to give an economic and
4 efficient service to the public?

5 A. Yes; but, as I said a little while ago,
6 certain railways provide road transportation services,
7 but we must not forget that in the United States the
8 railways are essentially private companies, and that
9 they operate services on the basis of their own needs
10 and they are not subsidized on the regular basis of our
11 railways, and that is the essential difference in our
12 view. As far as road carriers are concerned, we have
13 to compete with our own government, which is the owner
14 of the biggest railway in the world. That is a
15 position which does not exist in the United States as
16 far as it affects road transportation.

17 MR. MACDOUGALL: I think the Commission is
18 aware of the position in the United States as to sub-
19 sidies or lack of them.

20 Q. On page 10 of your brief, Mr. Archambault,
21 you speak of the ramifications in the matter of labour
22 unions, which you have some fear of if the railroads go
23 very much deeper into the acquisition of highway ser-
24 vices or the coordination of highway services. Just
25 what complications do you see in the labour field
26 arising?

27 A. This is simply a reference to the labour
28 union problem. We wanted to emphasize that if railways
29 were to control all the means of transport, all the
30 forms of transport, if, for instance, there was a strike,



1 the economy of the country would be completely paralysed.
2
3 At the present time there have been various railway
4 strikes; there have also been strikes in the trucking
5 industry, but since these two forms of transport are
6 distinct and separate, the economy of the country did
7 not suffer to a pronounced extent, and we think, there-
8 fore, this is a good thing from the public point of view.

9 Q. You are aware, of course, Mr. Archambault,
10 that these consequences that you speak of can happen
11 today without any question of the railroad being in the
12 trucking industry. We have evidence of that in the
13 United States where Mr. Hoffa and others have interests
14 much beyond one field of endeavour?

15 A. Are you asking this question because you
16 want us to discuss Mr. Hoffa's affairs? I don't know
17 what Mr. Hoffa started to do in the United States.

18 Q. I just wanted to know if you were aware
19 of the fact?

20 A. Yes, the fact that you are referring to,
21 sir.

22 Q. That the problem that you have been telling
23 us about, the labour problem, already exists in the
24 United States and elsewhere without any question of two
25 types of transport being combined into one, under one
26 ownership?

27 A. I can't agree that the problem to which
28 you have made reference -- and this is mentioned in our
29 brief -- that this problem exists in the United States
30 because in the United States trucking companies are
quite separate from railway companies in general terms.



1 Q. In any event, it is purely a matter of
2 labour law, which is perhaps something that this Com-
3 mission shouldn't worry about too much.

4 Would you agree that it is mainly a matter of
5 labour law which should be left to the authorities having
6 control over it?

7 A. No, it is not a matter of labour law; it
8 is a question of public interest.

9 Q. Well, the labour law protects the public
10 interest, I suggest.

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1 At the bottom of page 10, Mr. Archambault,
2 you suggest that the entry of the railroads in the
3 trucking field would create difficulty to local merchants
4 and industrialists in that, to use your words:

5 "If the railroads engaged in the road
6 transportation business on a large scale, through
7 centralized purchases as they are doing now, they
8 would eliminate all the local businesses that are
9 presently supplying road transportation. This
10 is extremely serious for the economy of the
11 small enterprise."

12 While the statement is in your brief, I will ask you,
13 do you believe it?

14 A. Yes, sir. We know that at present four
15 thousand holders of road transportation licences in
16 Quebec in general have to work for shippers who are
17 the merchants in their own localities. On the other
18 hand, we also know that the railways have a tendency to
19 centralize all their buying. If the National Railways,
20 for instance, operated a truck service between Montreal
21 and Granby I am not sure they would go and buy their
22 trucks and other equipment in St. Pie de Bagot or
23 places like that, whereas at present our companies buy
24 their own equipment in small localities around the
25 province.

26 Q. Do they not centralize their buying for
27 their needs in truck transportation today?

28 A. I believe that at present their buying
29 is very diversified, and that is to the best of my
30 knowledge.



1
2 Q. If Smith Transport, or any other large
3 trucker, attempted to minimize this cost by volume
4 buying of commodities which he uses in his business,
5 you would not object?

6 A. No.

7 Q. You would not think, if he did that, it
8 would drive small businesses out of business, would you?

9 A. It is quite clear that if they were
10 to centralize their buying after first having encouraged
11 small local merchants, that they of course would be
12 affected.

13 Q. Has the trucking business in the Province
14 of Quebec been growing in the last ten years or wither-
15 ing away?

16 A. If you look at our brief you will see
17 figures which indicate the progress and the growth of
18 the industry. Page 4 in particular has these figures.

19 Q. Beginning on page 12 of your brief, in
20 the chapter headed "The Public has opposed the Railroads
21 in their application to enter the trucking business" --
22 there you recount certain information which you give
23 to the Commission. Having just read to you certain
24 submissions made to this Commission by industries and
25 traffic managers of industry in the Province of Ontario,
26 would you not agree with me that there are some members
27 of the public who are not opposed to the railways enter-
28 ing the trucking business and who actively support them
29 in their suggestions that they should do so?

30 A. As I told you, sir, I did not have the
privilege of reading the brief to which you refer. I am



1 not aware of its nature. I do not know whether they in
2 fact suggest that the railways should undertake road
3 services as a supplement to the main railway services,
4 and I cannot say whether the St. Catharines Chamber of
5 Commerce or the Mining Association, or anyone else,
6 has made such statements, but I know there are chambers
7 of commerce and merchants and shippers' associations in
8 the Province of Quebec who tell us they do not want the
9 railways to go into the road transport field and do not
10 want them to compete with private enterprise in that
11 field.

12 Q. Would it surprise you to know that there
13 are many organizations throughout Canada who take
14 exactly the opposite view and who say they think it is
15 important that the railways enter the trucking field,
16 particularly so that they will be able to provide co-
17 ordinated rail-truck services to the people of Canada?

18 A. No, I would not be surprised.

19 Q. So the portion of the brief we have been
20 speaking of is not the whole story in this regard, and
21 there are others, you would agree, who have an opposite
22 view to what you express in this brief?

23 A. I do not think everybody has exactly the
24 same opinion as we do, but on pages 12, 13 and 14 we
25 have tried to present the expressions of opinion of a
26 number of people and of a number of organizations and
27 of the Minister of Roads in Alberta. We point out the
28 part played by road transportation. A number of people
29 have expressed the same fears as us, namely, that if the
30 railroads take part in road transport that may lead to a



1 monopoly, which would be against the public interest.

2 Q. You did not think to ask Mr. Sheehan
3 yesterday what the views of his association were and
4 include them in the brief, did you?

5 A. I have never had the pleasure of knowing
6 Mr. Sheehan before seeing him before this Commission
7 yesterday, or the day before yesterday.

8 Q. When this Commission was in Alberta they
9 heard from the Premier of that province, Mr. Manning,
10 a detailed statement regarding his province's view on
11 transportation matters, which is part of the record
12 before this Commission, and would it surprise you to
13 know that he did not make any comments in respect of
14 the railroads and trucking, such as
15 those you attribute to one of his ministers, Mr. Taylor,
16 in a speech you quote in your brief? The Premier of
17 the province did not make any mention of the matters to
18 which you say Mr. Taylor alluded. I suggest that if
19 he thought them important he would have said something
20 about them.

21 A. There is a proverb which says, "He who
22 says nothing consents." If he has not contradicted
23 what was said by the Minister of Highways, he no doubt
24 agrees with the policy expressed by the Minister.

25 Q. Perhaps we could take a hint from that
26 and say less in this conversation and perhaps get further?

27 A. I agree with you.

28 THE CHAIRMAN: Is there much more, Mr. Macdougall?

29 MR. MACDOUGALL: I am not sure.

30 THE CHAIRMAN: Some of our Commission have to



1 leave early. I will stay as long as Mr. Archambault
2 stays.

3 MR. ARCHAMBAULT: Thank you very much, sir.

4 THE CHAIRMAN: So will Dr. Gobeil and Mr.
5 Anscomb.

6 MR. MACDOUGALL: Q. Mr. Archambault, is
7 your organization against the use of piggyback services
8 by for-hire services or in favour of it?

9 A. Against it. Will you allow me to ex-
10 plain?

11 Q. Yes, certainly.

12 A. Thank you. Two years ago we
13 adopted a resolution stating that our Association in
14 principle is opposed to the piggyback services because
15 we believe that trucking companies, if they undertake
16 piggyback services, fall at the mercy of their com-
17 petitors, and we are aware of what happened elsewhere
18 where piggyback services were started.
19 When the road carriers disagreed with the railroads
20 concerning the conditions applicable to piggyback ser-
21 vices, the carriers found themselves in a position where
22 they no longer had employees, they no longer had trucks,
23 they no longer had tractors, and they had to reor-
24 ganize the whole of their services and start again at
25 the bottom. The resolution to which I am now referring
26 advises our members not to take part in piggyback
27 services.

28 Q. Mr. Archambault, you are aware, as I am,
29 that many of the largest trucking organizations in the
30 Province of Quebec, such as Asbestos Transport Limited,



1 Husband Transport, Intercity Transport, Kingsway
2 Transport, Overnight Express, Reliable Transport,
3 Smith Transport, Soo Security Motorways, Motorways
4 Ontario Limited, Midland Superior Express, and about
5 thirty or forty more, which I will not weary the
6 Commission with reading, are presently using Canadian
7 National Railways piggyback service, with the exception
8 of Smith Transport, and apparently these truckers,
9 whether they joined in your resolution or not, have
10 seen fit to use the piggyback services. Why would you say
11 they do if they back the resolution you speak of?
12

13 A. In order to know a subject and be able
14 to discuss it you first have to have actual experience
15 of the matter concerned. It is true that the members
16 of our Association to whom you referred do in certain
17 cases take part in the piggyback services. However, it
18 seems to me that they do so in moderation. I think
19 we shall later present witnesses, if the Commission
20 agrees to hear them, who will tell you that the piggy-
21 back services do not give the speed of transportation
22 and are not satisfactory in so far as damage to goods
23 is concerned.

24 Q. But you would agree with me that, entirely
25 apart from the reasons why these transport operators are
26 using the piggyback service, that all the substantially
27 large operators are using it, and many smaller ones,
28 so that some fifty operators in the province are using
29 the piggyback service, some more than others?
30

A. Was that a question? I agree that
these carriers use the piggyback service.



1 It seems to me they are using it less and less, excepting
2 possibly Smith Transport, which is using it more and
3 more, for other reasons, however.
4

5 Q. You think this is because they fear a railway
6 cartel or monopoly such as you refer to on page 16 of
7 your brief?

8 A. That may be one of the reasons why they
9 are using the services less and less.

10 Q. Mr. Archambault, on page 18 of my copy
11 of the brief you make the statement:

12 "Some railway agreed charges are so low
13 that it seems impossible that they could be
14 compensatory for the railways."

15 You give an example, which is headed "Example No. 1"? It
16 is a movement of oil from Montreal east. Why do you
17 think the net revenue to the railway company from that
18 agreed charge is unreasonably low?

19 A. That is so because the agreed charge was
20 reduced to a very considerable extent on a number of
21 occasions while the cost of operating was not so reduced.
22 I am not going to pretend that I am an expert in the
23 matter of rates. We shall have experts in this field
24 later. However, I think the reason why the railways
25 gave this service is that their revenues were far
26 too low.

27 COMMISSIONER GOBEIL: You say that you have
28 witnesses who are experts in the matter of rates.
29 I therefore assume that your Association will submit
30 a final brief in Ottawa?



1 A. No. I shall bring the witnesses here.
2 They are present here. Did I frighten you that I
3 would be submitting another brief in Ottawa? No.

4 MR. MACDOUGALL: Q. In respect of the
5 carriage of oil and similar products, the cars, for
6 instance, that are used in the service are not owned
7 by the railway company but by tank car companies, so
8 that the costs involved in the operation are considerably
9 different in the matter of handling this type of traffic
10 than the handling of a normal type of traffic? You
11 will agree with that?

12 A. No. As I told you a minute ago, I am not
13 an expert on the question of rates, and you will have
14 every opportunity shortly to ask questions on the part
15 of our brief dealing with rates.

16 Q. Mr. Archambault, thank you very much.
17 I have a few other things, but I do not wish to take
18 up any more of your time, and I think it is clear from
19 Mr. Archambault's evidence that in this matter you take
20 the view that it would create a monopoly?

21 A. It is one of our fears. We think the
22 creation of a monopoly would be against the public
23 interests.

24 MR. SINCLAIR: It is my understanding that
25 the Trucking Associations of Canada are going to present
26 a brief at Ottawa in which they will deal with the
27 overall matter of truck transportation. At that time,
28 and when I see that brief and it has been presented to
29 the Commission, I may very well have some questions
30 to put on truck-rail cooperation and coordination and



1 competition. In regard to some of the statements made
2 by Mr. Archambault, the facts are pretty well known by
3 this Commission, and the position of the Canadian
4 Pacific will be put by myself in argument rather than
5 through witnesses. Mr. Macdougall has covered a
6 number of points ably, and I have very few questions
7 of the witness on a very few points that were not
8 covered. There were some calculations which Mr.
9 Archambault has in his submission, which I think the
10 Commission would like to have clarified.
11

12 THE CHAIRMAN: I do not want to cut down
13 cross-examination at all, but make it as brief as
14 possible.

15 MR. SINCLAIR: Yes, sir.
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1 CROSS-EXAMINATION BY MR. GADBOIS:

2 Q. Mr. Archambault, for the purposes of
3 your cross-examination, I shall use the French copy of
4 your brief since I donot have an English copy of your
5 brief, the English copy with the blue cover which the
6 Commission is using.

7 On page 4 of your brief you mention that
8 during the period 1946 to 1954 the average annual
9 increase of the tonnage carried by Quebec truckers --
10 I see that you have corrected this in the English one.
11 It was a typing error in the French version, I see,
12 which was corrected in the English version.

13 Now, Mr. Archambault, are you aware of the
14 fact that for about ten years the Canadian Pacific Railway
15 has had services through subsidiaries or through its
16 trucking service in the west and in Ontario?

17 A. Yes.

18 Q. Are you aware of the fact that on the
19 30th of January, 1958, this province's Transport Board
20 or Commission authorized the Canadian Pacific Railway
21 to acquire an interest in the Smith Transport Limited
22 company?

23 A. Mr. Gadbois, you are referring to the
24 Order authorizing the transfer of Smith's holdings?

25 Q. Yes.

26 A. Yes, I am aware that such an Order was
27 issued. One of the reasons why the transfer had been
28 made was that the C.P.R. had promised to respect the
29 province's rights in matters of road transportation.

30 Q. Was the effect of this ordinance to give



1 the C.P.R. an occasion to operate, through its subsidiaries
2 or through companies in which it has an interest, a
3 trucking system throughout the country?

4 A. Would you kindly repeat your question, sir?

5 Q. Is it not true that as a result of this
6 ordinance which I mentioned the Canadian Pacific Railway
7 now operates, through its subsidiaries or companies in
8 which it has an interest, a road network system throughout
9 the country?

10 A. Canadian Pacific does operate a road
11 transport system in certain parts of the country.

12 Q. Which parts of the country are not covered
13 by this or excluded?

14 A. I hold that certain areas are not covered
15 by the Canadian Pacific services. However, all the
16 provinces today do have such services.

17 Q. Well, the operation of trucks by the
18 railway in Canada is already an accomplished fact, is it
19 not?

20 A. Yes, the operation of certain services of
21 this kind is, indeed, an accomplished fact.

22 Q. When the Transport Commission of Quebec
23 published its Ordinance on the 30th of January, 1958, is
24 it not to your knowledge that it was the only provincial
25 board which had statutory powers to refuse or to licence
26 transportation by trucking companies?

27 A. I so believe, yes.

28 Q. Now, ever since the Canadian Pacific
29 acquired an interest, a capital interest, in Smith
30 Transport Limited, could you say that Smith Transport



1 Limited is being used as an instrument by Canadian
2 Pacific Railway in order to do away with all competition
3 on the part of other truckers in the Province of Quebec?

4 A. If you are only talking to me about the
5 Province of Quebec, the reply would be no. However, if
6 you speak of other places, for instance, the maritime
7 provinces, it seems to me that this has already been
8 said before your Commission. In that case it is
9 clear that the Canadian Pacific is using Smith Transport
10 Limited in order to get the benefits of the Maritime
11 Freight Rates Act, and the private trucking, of course,
12 must compete with Smith Transport.

13 Q. Who said this before the Commission?

14 A. I saw it in the transcript I have read
15 or in newspaper accounts. However, I do not remember
16 who was the specific person who may have made such a
17 statement. However, I think it was the Maritime Board
18 of Transport which made such a statement.

19 MR. SINCLAIR: I think, Mr. Chairman, to save
20 time, I will say that the submission which was made down
21 there will be dealt with by myself at a later stage in
22 either evidence or argument.

23 THE CHAIRMAN: Thank you.

24 MR. GADBOIS: Q. Ever since the C.P.R.
25 acquired an interest in Smith Transport the number of
26 truckers in the Province of Quebec has continued to
27 increase, has it not?

28 A. Yes.

29 Q. Now, you appeared before the Transport
30



1 Commission in order to reply to this request, and the
2 grievances which you mentioned during this intervention
3 were the same essentially as the ones which you are
4 mentioning today, were they not?

5 A. Yes.

6 I don't know whether I should be allowed, Mr.
7 Chairman, to emphasize this ordinance of the Transport
8 Board which counsel for the Canadian Pacific mentions.
9 I have a copy of this ordinance here with me, and if
10 the Commission wishes to have it submitted you will see
11 that ten witnesses give evidence on behalf of the
12 Associations, the Chambers of Commerce or the Associa-
13 tions of Merchants who wished to oppose the transfer
14 of shares of Smith Transport to Canadian Pacific, and
15 the main reason given to the Transport Board by the
16 members as to the transfer of the shares seems to have
17 been a legislative reason, a reason of control.

18 MR. GADBOIS: Mr. Chairman, he may file it,
19 but I submit that the document speaks for itself and
20 it doesn't require any interpretation on the part of
21 the witness.

22 THE CHAIRMAN: Well, you don't need to file
23 it, Mr. Archambault. We will have it.

24 MR. GADBOIS: Q. Mr. Archambault, you said
25 that representatives of Chambers of Commerce had appeared
26 in order to contest the request presented by the
27 Canadian Pacific. How many representatives of the
28 Chambers of Commerce were there?

29 A. Are you referring to ---
30



1 Q. I am referring to the case we have been
2 discussing ever since the beginning of your cross-
3 examination.

4 A. There were representatives of the pro-
5 vincial Chambers of Commerce. The provincial Chambers
6 of Commerce, I believe, comprise about seventy-five
7 Chambers of Commerce.

8 Q. The other ten witnesses who appeared in
9 the case -- is it not true that except for two of these
10 witnesses the eight other witnesses were representatives
11 of the Trucking Association or a truckers ---

12 A. No, that is not true.

13 Q. I wish to finish my question.

14 A. I don't understand you clearly.

15 Q. That the other eight witnesses were
16 truckers and union representatives?

17 A. There was a representative of the Federated
18 Cooperative of Quebec, there was a representative of a
19 furniture manufacturer, there was a representative of
20 the Union of Truck Drivers, who came to express their
21 views, and the others were representatives of trans-
22 portation companies. In that you are correct.

23 Q. On page 13 of your brief you mention
24 certain evidence offered by certain companies or
25 societies offered to the Turgeon Commission in opposi-
26 tion to having railways take part in trucking. Are you
27 aware, Mr. Archambault, of the conclusions that the
28 Royal Commission reached on this question, namely, that
29 of the entry of the railways into the trucking field?

30 A. My reply is Yes.



1 Q. Are you aware of the fact that the Turgeon
2 Commission announced itself in favour of the entry of
3 the railways into the trucking field?
4

5 A. No, that was not the conclusion of the
6 report. I believe that this was not as clear-cut
7 as you seem to indicate.

8 THE CHAIRMAN: We won't have any argument over
9 the Turgeon Report.

10 MR. GADBOIS: Q. Now, would you kindly
11 refer to page 16 of your brief?

12 THE WITNESS: Mr. Chairman, I think Mr.
13 Gadbois is trying to reach conclusions ---

14 MR. GADBOIS: If the witness continues to
15 argue, Mr. Chairman ---

16 THE WITNESS: I will not pass any more remarks.

17 MR. GADBOIS: Q. I refer to page 16 of your
18 brief where you mention comments appearing in a report
19 prepared by Mr. Lessard, who belonged to the Department
20 of Transport. Is it not true that in this report of
21 Mr. Lessard there are also comments where he expresses
22 a strong opinion in favour of having railways take part
23 in trucking?

24 A. No, I do not agree.

25 MR. GADBOIS: Mr. Chairman, I refer to the
26 Turgeon Report. I submit that there is such a con-
27 clusion.

28 THE WITNESS: That may be Mr. Gadbois'
29 impression. My impression is quite different.

30 MR. GADBOIS: Q. Now, on page 20 of your
brief you say that the railway companies have the right



1 to appear before the Quebec Transport Board, and they
2 often take advantage of this privilege. I know that
3 we have had the opportunity to meet already, but is it
4 not true, Mr. Archambault, that the railway companies,
5 when they appear before the Quebec Transport Board,
6 mostly appear in order to request the granting of a
7 trucking licence or to oppose the granting of such a
8 licence?

9
10 A. Yes, trucking company in certain cases
11 appear before the Board in order to request the granting
12 of such licences, and they have raised a number of
13 questions before the Board concerning rates and other
14 factors concerning the industry. It is the same privilege
15 which we wish to have with the federal Transport Board
16 in Ottawa. It is a right which we have never had.
17 It has always been denied us.

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1 Q. Mr. Archambault, do you maintain that
2 the railway companies have appeared before the Quebec
3 Provincial Transportation Board in order to oppose the
4 increases requested in the rates by truckers?
5

6 A. I do not know whether the railways in
7 fact appeared in order to oppose or criticize requests
8 by truckers to modify their rates, but this often occurred
9 to my knowledge several years ago. Now I must confess
10 that I do not follow the public meetings of the Quebec
11 Transport Board.

12 If I may refresh your memory, Maitre
13 Baradi used to appear before the Quebec Transport
14 Board regularly. He took an interest in the issuing
15 of licences, and other operating factors, and also some-
16 one else followed all these meetings.

17 ---Short Recess.
18

19 THE WITNESS: I was asked whether I knew
20 that representatives of the railroads have the privilege
21 of appearing before the Quebec Transport Board in order
22 to oppose the requests for trucking rate increases. I
23 have a witness here, and he says he is aware of a recent
24 instance of this fifteen days ago.

25 MR. GADBOIS: Q. Was it the C.P.R. that was
26 appearing?

27 A. No, it was the Quebec Central.

28 THE CHAIRMAN: Mr. Archambault, I understand
29 you want to call Mr. Laflamme. Will you do that now?

30 MR. ARCHAMBAULT: Yes, sir. Thank you.



1
2 ALFRED LAFLAMME, called

3 DIRECT EXAMINATION BY MR. ARCHAMBAULT:

4 Q. Mr. Laflamme, I believe that you are
5 one of the prime leaders in our motor transportation
6 industry in the Province of Quebec?

7 A. It is thirty-one years ago since I
8 entered transportation.

9 Q. Consequently you are familiar with matters
10 of rates as well as matters of operating trucks?

11 A. Yes, I have thirty-one years experience
12 in the matter.

13 Q. Could you give us some of your comments
14 on the supplementary brief prepared under your direction
15 concerning rail rates in comparison with road transpor-
16 tation rates, and would you also discuss rail rates,
17 which from your point of view are not profitable?

18 A. Mr. Chairman and members of the Commission,
19 if you will allow me to do so, I should like to give
20 you some details on questions which were yesterday asked
21 of Mr. Roy, and they are mainly questions bearing on
22 operations rather than on the publication of rates, which
23 are Mr. Roy's specialty -- namely, the increase in the
24 rates in 1958 was not merely a measure to copy the
25 railroad's policy but merely a question of operating
26 costs arising out of the increases in salaries and wages
27 which we had in our industry. In our industry we have
28 more or less the same factors to consider as the rail-
29 ways. It was a whole series of events. The
30 employees, particularly the truck drivers, belong to



1 unions. Mr. Sinclair also asked a question regarding
2 the short form of the bill of lading which is used by
3 the trucking industry in the Province of Quebec. I
4 must say that in the Province of Quebec we do not have
5 a bill of lading which is legally recognized or estab-
6 lished. It imposes on the truckers greater respon-
7 sibilities than the short form of the bill of lading
8 imposes upon other forms of transportation. That
9 is a matter that I wished to clarify, sir, in order
10 to leave no misunderstanding, as I believe that Mr.
11 Roy's explanations yesterday were not quite correct on
12 this point.

13
14 As regards the question of rates, in order to
15 help this Commission I have prepared a supplementary
16 study, which is perhaps not altogether complete.

17 THE CHAIRMAN: This gave you a lot of work.
18 Mr. Archambault, we cannot take this all into the record,
19 but I think we will file it as an exhibit. Would that
20 be agreeable to you?

21 THE WITNESS: But, Mr. Chairman, it is
22 exactly discussion I would like to have.

23 THE CHAIRMAN: We will not stop the discussion.
24 I merely want to get it in the record in the proper way,
25 so we will file it as an exhibit.

26 MR. ARCHAMBAULT: I think that twenty-five
27 copies were sent to you in Ottawa.

28 THE CHAIRMAN: This will be Exhibit 119.

29 ----EXHIBIT NO. 119: Supplementary brief submitted
30 by Trucking Association of
Quebec, Inc. prepared by Mr.
Alfred Laflamme.



1 THE CHAIRMAN: Go ahead with the discussion
2 now.

3 THE WITNESS: This work was done chiefly in
4 order to show the rates as a whole, the agreed charges
5 as a whole, and to show those which are not profitable.
6 I believe that, in spite of what learned counsel for
7 the railways maintain -- and they are guided by the
8 Railway Commission in Ottawa and under the Commission's
9 directives -- I believe that the railways over the majority
10 of the movements have a great deal more latitude than
11 truckers have in the Province of Quebec: namely, they
12 can fix rates by a telephone call, they can make a
13 contract with the shipper and then they can file it with
14 the Commission. Essentially the same thing applies
15 to the rates which are competitive with truckers' rates.
16 The situation is quite different with truckers, who
17 must file their rates in advance. In this work which
18 we have prepared we have tried to give you an analysis
19 of 253 rates or agreed charges, and these agreed charges
20 are not, in our opinion, remunerative. They are not
21 profitable if we are to believe the statistics published
22 by the Transport Board. The same thing is also
23 applicable to rates which are competitive with trucking
24 rates, and in the summary of the analysis we have made
25 you will see that as regards revenues we do not agree.
26 When you transport, say, as in the case of the Canadian
27 National Railways, something like 36 million tons per
28 year, it amounts to a great difference in dollars.
29 This is a question of the structure of rates, and at
30 this point may I bring to your attention that we do not



1 wish to justify the actions taken by truckers, because
2 on many occasions we have been led into a fight with one
3 form or another form of transport. I think that we
4 have reached a degree of maturity in our country and I
5 hope that after your Commission has met we shall have
6 legislation that will enable every form of transportation
7 to serve the economy as a whole by whatever means of
8 transportation is appropriate. However, in preparing
9 my brief, if you will be good enough to check the
10 various items you will see that we do not always call a
11 spade a spade and that certain industries or industrial
12 products are indirectly subsidized by low agreed charges.
13 There are 739 such cases. I think it is a disadvantage
14 to allow any one form of transportation to deal with this
15 problem itself when the country as a whole or the
16 government has to pay millions of dollars -- \$102
17 million to pay the deficits in 1958 and 1959. We
18 have been told quite often that when an agreed charge is
19 established what is done is to add a little more to the
20 cost. How are we to explain that during the past three
21 or four years the C.N.R. has had to find 6,600 new cars?
22 How are they to explain that 400 refrigerator cars have
23 been acquired for transportation? Why on the one hand
24 is there a striking deficit, yet they had money enough
25 to buy all these cars? When we have certain indis-
26 pensable things, you have to pay for them, it seems to me,
27 Mr. Chairman.

28
29 In order to help this Commission, Mr. Chairman,
30 if at any time you wish a more complete review of this



1 brief at Ottawa, I shall be happy indeed to come to
2 Ottawa and discuss these various points with you, or
3 with anyone concerned who wishes to put questions to me.
4 I do not wish to go into the matter in detail, because
5 if you began to analyse 52 pages of rates that would
6 take us at least a week. I have made a complete analysis
7 of agreed charges and of truck competitive rates, and
8 I do not know whether it is the railways who attempt to
9 impress the Commission or the Railway Board, but the
10 report of the Railway Board does not mention the result
11 of the truck competitive rates.
12

13 -

17 -

21 -

25 -



1 It is reported in 1958 the ton mile revenue
2 of the truck competitive rates was 1.07 cents per ton
3 mile. When I made an analysis of 144 commodities
4 published and the recent figures -- oh, I was not
5 trying to get figures for 1955 or when I was a little
6 boy, or anything like that -- I saw that we reached an
7 average revenue of 5.08 cents, so there is a discrepancy
8 there somewhere. I would like to ask your permission
9 to investigate this, to go into this, possibly to in-
10 quire into the Jacques Cartier Bridge and some other
11 amounts. But there are others involved in this than
12 the Jacques Cartier Bridge. We should look into the
13 \$100 million paid to the railways, and since 1947
14 \$1,600,000,000 were consolidated into the nation's debt.
15

16 These are factors which, of course, affect
17 the task entrusted to this Commission, namely, the
18 inequities in rates applied in transport, no matter in
19 what form or shape or otherwise it is provided.

20 Members of the Royal Commission, if you will
21 allow me to do so, I will refrain from mentioning any
22 names. However, I have had an opportunity during the
23 thirty-one years of service in the trucking industry
24 I have had to meet the competition of the C.N.R., which
25 was at the beginning in particular the only railway
26 which was really competing with us. On many occasions,
27 Mr. Chairman, it was not Asbestos Transport which, as
28 we say, cut rates or reduced rates, but it was, in fact,
29 the Canadian National Railways did so, and I wonder why.
30 When thousands of companies were risking their time,
their energy and their money without sparing themselves,



1 why then should a national organization compete with
2 them?

3
4 Here I mention that, incidentally, in 1954,
5 at the time of the Judgment by the Privy Council in the
6 Mackenzie case which gave the federal government the
7 right to govern the trucking industry as well as the
8 railways, the federal government then which they
9 did not wish to do, tried to save appearances by
10 giving the provinces as a kind of gift power to govern
11 this matter. I think it was a kind of gift, and it
12 was, in fact, a back-hand kind of action. The federal
13 authorities were trying to give them something which
14 was already their right, so if they accept the respon-
15 sibility to legislate in matters of trucking the govern-
16 ment is then caught between two fires, one presented by
17 railways, the other by trucks. So if you give that
18 right to the provinces, then it would appear that the
19 central government was abandoning the truckers. That
20 is the position in which we find ourselves.

21 I should not wish to take up the time of this
22 Commission, but we could dwell on this subject at length
23 for weeks before a decision was reached.

24 MR. ARCHAMBAULT: If you have no objections,
25 in view of the fact that the Commission has intimated
26 a little while ago that it wished to terminate this
27 meeting this morning, I would like you to speak
28 specifically about certain facts in your brief where
29 you indicate that there are railway rates which are
30 not profitable. You also mention that you had the
impression that certain of the luxury industries were,



1 in fact, indirectly subsidized through the agreed charges.
2 I think the Commission would be interested in hearing
3 about specific cases which you mention in your brief.
4

5 A. Mr. Chairman, if you will allow me to do
6 so, perhaps we could look at Table No. 1. Agreed
7 Charge No. 423, exclusive of switching charges, between
8 several breweries and C.N.R.-C.P.R., Dominion Atlantic
9 Railways, commodity: beer, ale, porter and stout. The
10 charges apply between Montreal and Halifax, Nova Scotia.
11 The Canadian National has a longer line here than
12 Canadian Pacific and it will not necessarily be a
13 revenue which is lower than Canadian Pacific which has
14 a shorter line of 100-odd miles to carry 50,000 pounds
15 of beer. The revenue is .0112, which, in accordance
16 with the report of the Board, is less than half the
17 average. In comparison with traffic carried by all
18 railways, this average is about 44/100ths. So if you
19 will take the figures, this amounts to millions of
20 dollars.

21 You can continue along those lines, and then in
22 another page in my brief you will see the figures for
23 ten years, the penultimate page of the supplementary
24 brief. The last page is blank. It is not quite
25 penultimate, but the one before that, the table which
26 indicates that for the whole of the traffic it brings
27 1.55 per ton mile, including truck competitive rates
28 and agreed charges, and the class rates, Crow's Nes
29 Pass rates for grain, the statutory maritime freight
30 rates, and so when you transport beer for .0112 per ton



1 mile the average in the rest of the country, after having
2 taken into account all these reductions on grain trans-
3 portation, maritime rates, and so on, gives you an
4 enormous discrepancy, and, Mr. Chairman, this is merely
5 for one commodity. So, please, I would ask you not
6 to forget that it is one of the agreed charges ---
7

8 MR. MACDOUGALL: Mr. Chairman, I don't wish
9 to interrupt, but I don't have a copy of what the
10 witness is speaking to. It is not in this book. It
11 is a little difficult to follow.

12 THE CHAIRMAN: That is the first one filed.

13 THE WITNESS: I brought eighteen copies
14 yesterday.

15 THE CHAIRMAN: Give Mr. Macdougall a copy.

16 THE WITNESS: I brought eighteen corrected
17 copies yesterday. Mr. Macdougall, the first part I
18 think you have already. It appears on the penultimate
19 printed page. It shows the average revenues for all
20 classes of freight. Are you able to find it now?

21 MR. MACDOUGALL: Yes.

22 THE WITNESS: So it would take a true study
23 and a true interpretation if we were to discuss or to
24 bring out all that is implied in these figures, which is
25 merely an infinitesimal part of what actually goes on if
26 we look at traffic as a whole; it is merely one commodity
27 out of 300-odd commodities.

28 But in the truck competitive tariff, Mr.
29 Chairman and members of the Commission, I have tried to
30 single out in particular those commodities which, by their



1 very nature, involve a great deal of traffic, and
2 therefore have lower rates than certain other com-
3 modities.

4 MR. ARCHAMBAULT: Q. Would you give
5 another example, please, apart from beer, perhaps
6 another industry indirectly subsidized through the
7 agreed charges?

8 A. Well, you may take certain parts of the
9 paper industry when you transport pulpwood, for example,
10 which brings 1.35 cents. I think that appears on
11 Table 22, agreed charge No. 597, between Canadian National
12 and Canada Paper, commodity: pulpwood and pulpwood chips,
13 distance 216 miles, Lafontaine and Bras D'Apic, minimum
14 60,000 pounds, rate 15 cents, gross revenue \$90,
15 revenue per ton mile 1.35 cents. What strikes me
16 in particular for this commodity is that our friends of
17 the Canadian Pacific Railway, for essentially the same
18 distance, and, indeed, the same commodity, where
19 Canadian Pacific has a railway alone and therefore it
20 does not have competition from the Canadian National
21 Railways for that sector -- you will note that the rate
22 for 213 miles, Maniwaki, Quebec, to Tweed, Ontario, is
23 22 cents and that the minimum is raised. Consequently,
24 that gives a revenue of 2.06 cents per ton mile. If
25 you compare these revenues and you multiply this
26 difference by 36,600,000-odd, then you will have an
27 enormous difference. It was this inequity or differ-
28 ence that was quite striking. If beer is to be sub-
29 sidized, you subsidize beer; if the paper industry
30



1 requires subsidies, you subsidize the paper industry;
2 the government gives subsidies to the movement of
3 grain in the West, so why shouldn't there be subsidies
4 on beer? But here, however, it is all done indirect-
5 ly.
6

7 MR. ARCHAMBAULT: Now, if there are any
8 questions which counsel would wish to ask of Mr.
9 Laflamme or the Commission would wish to ask, Mr.
10 Laflamme would be ready to answer.

11 MR. SINCLAIR: I have only one or two, Mr.
12 Chairman.
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CROSS-EXAMINATION BY MR. SINCLAIR:

Q. Mr. Laflamme, I must say to you and whoever was associated with you, that having had a little knowledge concerning tariffs and rates, I know how difficult it is to put together the type of tables that you have here.

A. Thank you.

Q. I have only checked some of them and I am quite sure that the Commission with their traffic people will check some others, but I wanted to draw your attention to one rate which is in your table 27, that is, agreed charge No. 163.

A. Yes.

Q. Which is for Murray Brantford. You have it shown, "Murray Brantford and Canadian National Railways". That should be "Canadian Pacific Railway." It is from Portneuf to St. John, N.B. The rate which you have, .50 cents, should be .58 cents. That rate which you have was increased by the Canadian Pacific about a year ago to .58 cents.

A. It is an agreed charge?

Q. Yes, there was a supplement to increase it to 58 cents per 100, and that gives a ton mile revenue of .0203, to make it comparable to your figure. Do you know that you have that supplement?

A. No, I do not. Let us clarify this point. In order to prepare this work, I had some difficulty. One difficulty in particular was that of obtaining from the railways and the Railway Board the agreed charges.



1
2 Q. Mr. Laflamme, you are in the trucking
3 business to make a profit?

4 A. Absolutely, if I can operate it intelligent-
5 ly and efficiently.

6 Q. And you think that Canadian Pacific should
7 be in transportation to make a profit?

8 A. I would think so, according to the
9 statement that your Chairman, or your President, made in
10 Pittsburgh a couple of months ago at a traffic club --
11 from that I would think so.

12 Q. You would like to operate your business
13 where you can make a profit, and I want to say this to
14 you, that I think the trucking industry in certain
15 areas and on certain commodities certainly can charge
16 higher rates to service factors and get business where
17 the railways cannot meet that competition, but I would
18 like to see if you would agree with me that in other
19 areas the truckers cannot meet the express service
20 provided by the railways.

21 A. Mr. Sinclair, I have always been faced
22 with this problem. In view of the fact that one of
23 my biggest customers is a shipper of a million tons per
24 year -- I would never expect to serve them because of
25 the distance involved, which were far too great
26 in terms of the railways. They would be considered
27 a rail movement. I have said already that there is
28 room in this economy for different forms of transportation
29 providing this Commission recommends the necessary
30 legislation to regulate all forms of transport in order



1 to give the public the best service and protect the
2 economy of the country.

3 Q. You would agree that in certain areas
4 the greatest economy of transport and the greatest
5 service factor is brought about by using part rail and
6 part road?

7 A. Once again, Mr. Sinclair, I must answer
8 affirmatively. In view of the size of our country and
9 in view of the needs of the economy, I think there is
10 room enough for both trucks and railways, if they are
11 all governed by laws which will enable us to serve the
12 public interest efficiently and economically and serve
13 the interests of the country as a whole. Does this
14 answer your question?

15 Q. Yes, thank you very much.

16
17 CROSS-EXAMINATION BY MR. MACDOUGALL:

18 Q. Mr. Laflamme, just one point, if you
19 will be kind enough to clarify it. Are the statements
20 contained in your Exhibit No. 119 compiled directly
21 from the agreed charges and the tariffs?

22 A. Yes, they are.

23 Q. The conclusions as to net revenue per
24 ton mile and car mile revenue donot have any weighting
25 factor such as the tonnages moved, or anything like
26 that considered?

27 A. As I said a while ago, Mr. Macdougall, I
28 have primarily taken items or commodities which had a
29 considerable volume of movement. The mileages have been
30 based on a railway guide.



1 Q. It is not based on a weighting factor?

2 A. No, but if you go back to the second last
3 page, or page 28, if you compare the two, you will see
4 that the average distance covered in so far as agreed
5 charges are concerned, the average I get is 418 miles,
6 and the Railway Board has an average of 414 miles. I
7 have said that this refers to 253 commodities, and if
8 there is a difference of four miles only, you cannot be
9 far wrong.

10 Q. It was taken from the waybills?

11 A. Yes, and mine is from the tariff.

12 MR. MACDOUGALL: Thank you.

13 THE CHAIRMAN: Thank you, Mr. Laflamme. I
14 want to congratulate you on the industry and the time
15 you have put in preparing this brief. It is no mean
16 job.

17 MR. DROIN: I think that, if Mr.
18 Laflamme's information will be required and if the
19 Commission so requires, Mr. Laflamme will go to Ottawa,
20 and you may be able to ask him further questions.

21 MR. LAFLAMME: It is one of the most important
22 questions in connection with this work.

23 MR. ARCHAMBAULT: Thank you, Mr. Laflamme.

24 MR. DROIN: I just want to put a few questions
25 to Mr. Archambault.

26 THE CHAIRMAN: Yes.

27
28 CAMILLE ARCHAMBAULT, recalled
29
30



1
2 DIRECT EXAMINATION BY MR. DROIN:

3 Q. Mr. Archambault, as counsel for the
4 Government of Quebec I was interested in your comments
5 on the piggyback service, and I would like to ask you
6 to refer to the preliminary brief which the Province
7 submitted, page 21 specifically, and I want to ask
8 you whether you have read it?

9 A. Yes, I had already read this or heard it
10 when the brief was submitted the day before yesterday.

11 Q. Do you endorse the ideas expressed by the
12 Government of the Province?

13 A. We fully endorse the comments appearing
14 on page 21 of the brief and page 22 concerning piggyback
15 services.

16 Q. Mr. Archambault, I should now like to
17 refer you to two tables appearing on Charts 1 and 2 of
18 your brief, and I must admit I am somewhat surprised
19 by these figures. For example, you say that the
20 for-hire trucks registered with the Board as public
21 services represent 8.8 per cent of the provincial
22 total. On the other hand, you say that the volume
23 carried by these trucks represents 53.7 per cent of the
24 provincial total?

25 A. This is so because the public carriers by
26 their very nature try to carry the greatest possible
27 tonnage, while trucks belonging to merchants whose
28 chief business was not transportation would deliver goods
29 and then come back with empty trucks, so that a public
30 carrier is more productive than a private carrier
normally.



1 However, these are not our own figures. They
2 are figures derived from the Dominion Bureau of
3 Statistics in Ottawa and published in 1958.

4 Q. On page 6, Mr. Archambault, you show the wage
5 index taking 1947 as the basis for salaries, and in 1957
6 the figure would be 212.3. So it is an increase of
7 112 per cent. Was that figure checked?

8 A. Yes, the figure was checked. It was
9 an increase of 112 per cent over ten years. Of course,
10 in that increase only the question of the increase in
11 the hourly wages was considered. It took into
12 account the hours worked and the statutory paid holidays,
13 the public insurance which has been in force for the
14 past ten years. When these factors are taken into
15 account, it is quite correct that there has been an
16 increase of 112 per cent in the trucking industry in
17 the hourly salaries. Once again I stress that these
18 figures were checked by the Dominion Bureau of
19 Statistics.

20 Q. You mentioned The Netherlands, Germany,
21 Italy, France and Mexico, and you mentioned information
22 obtained. I would like to ask you whether you your-
23 self went there?

24 A. Yes, it was necessary to go to some of
25 these places myself.

26 Q. Did you have certain statements, or was
27 it simply a matter of hearsay?

28 A. I wrote to the transportation bodies in
29 these countries which have been mentioned in the brief,
30 and I have letters from them which particularly bear



1 on the part played by railways in road transportation.
2 Most of these letters in fact show that the governments
3 of France, Mexico and other countries, do not give
4 the railways free action in the field of road trans-
5 portation.
6

7 Q. At page 20 of your brief -- and I am
8 sorry to come back to your brief once again, sir, but
9 I find points of interest in it -- you say, at the
10 bottom of page 20, that the right to go to the Trans-
11 portation Board has been refused the trucking industry
12 except with regard to amendments to the law adopted
13 several years ago.
14

15 Would you kindly tell us this? First of all,
16 the companies have the right to appear before the
17 Canadian Transportation Board; would you tell us why
18 that would be an advantage to the trucking industry
19 and why you want to present statements to the national
20 Railway Board?

21 A. Because in accordance with the Railway
22 Act we understand that railway rates must be profitable,
23 while we hold that some of the railway rates are not
24 profitable. By virtue of the existing Act, we cannot
25 appear before the Railway Board in order to prove our
26 assertions. That right has been denied to us.

27 Q. Am I to understand that all other forms
28 of transportation ~~xxxx~~ do have the right to appear before
29 the Board? The air lines have this right, and naviga-
30 tion companies have the right? You appear to be the
only means of transportation which is not allowed to



1 appear before the Board?

2 A. I believe the Act says that federal
3 carriers have the right to appear, and the Board refuses
4 to recognize us as federal carriers.

5 Q. You may not be aware whether there has
6 been any bill on this subject?

7 A. Yes, there is a bill, C25 and C29, which
8 has been filed in Ottawa by a member of parliament,
9 Mr. Ferguson, I think, with the object of ensuring that
10 the trucking industry will be allowed to appear before
11 the federal Board. I believe there have been two simi-
12 lar bills that were presented to the House last year
13 but were unsuccessful.

14 Q. This is my last question. Do you know
15 whether any forms of transportation other than railways
16 receive subsidies or grants?

17 A. Yes. Navigation, of course, receives
18 federal subsidies -- air transportation also and railways,
19 of course. So far as the Province of Quebec is con-
20 cerned -- I do not know what happens in the other
21 provinces, but to the best of my knowledge the trucking
22 industry has never received any subsidies or grants.

23 Q. Trucks have never received subsidies.
24 You have referred to the port of Quebec. This, of
25 course, does not affect only the port of Quebec but
26 all the other ports along the St. Lawrence also. Are
27 you in favour of measures which might be taken by the
28 federal government in order to facilitate additionally,
29 if possible keeping the port of Quebec open longer,
30



1 and other ports as well, even Montreal?

2
3 A. Yes, I believe the federal government
4 should help these ports remain open in winter. It is a
5 question of economic development, and since you are
6 now mentioning specifically the port of Quebec I would
7 say that the port of Quebec has for the first time
8 remained open this winter. The tonnage carried up
9 to the last month is indicated in our brief and is
10 taken from the industry and the Bureau of Commerce
11 of Quebec. The port of Quebec remained open this
12 winter because of the efforts of private enterprise.
13 We submit that the federal government should in future
14 take its part in this and contribute to this success,
15 which of course helps the development of this country.

16 Q. Did the trucking industry cooperate
17 with the shippers when the freight and goods arrived in
18 Quebec in order to ensure the delivery elsewhere?

19 A. We particularly cooperated with the
20 shippers and ship owners and navigation companies by
21 offering them a minimum number of trucks on the arrival
22 of every ship in order to speed up the unloading of
23 the goods.
24
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1 MR. DROIN: That is all, Mr. Chairman.

2 THE CHAIRMAN: Thank you, Mr. Droin.

3 MR. DROIN: Before closing, will you permit
4 Mr. Archambault to have two witnesses who have two
5 phrases to say?

6 THE CHAIRMAN: Yes, surely.

7
8 MR. CHAMBORD, called

9
10 DIRECT EXAMINATION BY MR. ARCHAMBAULT:

11 Q. Mr. Chambord, I understand that you are
12 chairman of the Saguenay Section of the Trucking Associa-
13 tion?

14 A. Yes.

15 Q. Did you yesterday hear Mr. Dauphinais,
16 the representative of the Saguenay Chamber of Commerce,
17 speak in front of this Commission about the restric-
18 tions on heavy traffic to Chicoutimi in the spring and
19 during the thaw which presented certain difficulties up
20 there?

21 A. Yes.

22 Q. To your knowledge, was there any weight
23 restriction on the Montreal or Quebec-Chicoutimi weight
24 during the fall?

25 A. I have the ordinance which was published
26 by the Minister of Highways for the Province of Quebec
27 on the 14th of March, 1959. It is a notice to truckers
28 and bus owners. The classification is public highways,
29 and total weight is permitted, including loads during the
30 period of thaw, during the period to which Mr. Dauphinais



1 referred. There is a list included on this of twelve
2 highways and on which the total summer weights are
3 permitted. In other words, there is no weight restric-
4 tion that is applicable to that period. Among them
5 there is highway 54 and highway 16 and also highway 2,
6 Montreal to the boundary of Ontario, as well as highway 9.
7 That is from the boundary of Ontario right to Chibougamau
8 and Jonquiere by highways 2, 9, 54 and 16 there was no
9 weight restriction imposed at all.
10

11 Q. Mr. Dauphinais, representing the Saguenay
12 Chamber of Commerce, says there is no customs depot in
13 your area. To the best of your knowledge are there
14 any customs depots in your area for clearing goods on
15 trucks?
16

17 A. In Chambly in we have customs depot
18 which is operated by Laval Express. It has existed
19 for three years now. Also in Chicoutimi for the past
20 month we have had a customs depot operated by Chicoutimi
21 Terminal, which is a subsidiary of Chicoutimi Transport,
22 and if you will allow me to do so, Mr. Chairman, in order
23 to elaborate on this question of the thaw period and
24 winter weight restrictions, there is in this same
25 ordinance for the transportation of perishable goods and
26 of animals, of fertilizers, of seed, of petroleum, of
27 oil, of coal and for removals Class B weights are per-
28 mitted on all highways and municipal roads, providing
29 the weights do not exceed the permitted weights in
30 summer. In other words, for those goods that are
necessary for daily life there are, in fact, no restric-
tions, and the period of thaw does not prevent trucks



1 from carrying all of these goods.

2 THE CHAIRMAN: Thank you, Mr. Chambord.

3
4 VICTEUR BELANGER, called

5
6 DIRECT EXAMINATION BY MR. ARCHAMBAULT:

7 Q. Would you identify yourself to the Com-
8 mission?

9 A. My name is Victeur Belanger. I am the
10 chairman of the Lower St. Lawrence Section of the
11 Trucking Association of Quebec.

12 Q. Mr. Belanger, you are yourself respon-
13 sible for the trucking operations between Quebec and
14 Montreal and the whole of the Gaspé Peninsula?

15 A. Yes.

16 Q. Mr. Belanger, when, last August, the
17 railways, after having received the \$20 million subsidy
18 or grant, then reduced their rates, did the company
19 you represent also reduce its rates in order to be in
20 line with the railway rates?

21 A. No, our rates remained the same as they
22 were previously, before the 7 per cent decrease which
23 was made possible after the \$20 million grant or subsidy.
24 The level of our Class rates at present, the rates
25 applicable between Montreal and Quebec and all over the
26 Gaspé Peninsula and the Lower St. Lawrence are from
27 6 per cent to 14 per cent higher than the railway class
28 rates.

29 Q. Could you tell us whether you have trucks
30 giving a daily service from the Gaspé Peninsula towards



1 the industrial centres such as Montreal and Quebec?

2 A. Yes.

3 Q. You heard Mr. Sheehan who, as chairman
4 of the Gaspé Chamber of Commerce, the day before yester-
5 day said that there were inadequate trucking and road
6 services in the Gaspé Peninsula. To the best of your
7 knowledge, would your company find it possible to give
8 an adequate trucking service from the Gaspé Peninsula
9 to Montreal and Quebec, and would you tell us how long
10 it takes a truck to transport a full truckload from
11 Gaspé to Montreal?

12 A. Mr. Chairman, I have the impression that
13 Mr Sheehan was perhaps not quite in possession of all
14 the facts. For a number of years now we have operated
15 all kinds of trucks which are necessary in order to
16 provide service to the Gaspé Peninsula. When it is a
17 matter of full truckloads we give a service from Quebec
18 to Montreal. If a load is taken on in Gaspé in the
19 afternoon it is delivered in Montreal two days later in
20 the morning.

21 Q. Well, you are not the only carrier who
22 gives such service?

23 A. No, that is quite true. In the Lower
24 St. Lawrence area we have other companies, Rimouski
25 Transport, which offers a service which is identical to
26 the one we offer, on the same highways; it serves the
27 same places and gives the same rates and with equipment
28 similar to ours.

29 Q. Do you know that your competitors charge
30 rates as high as the railways?



1 A. Yes. Rimouski Transport uses the rates
2 which have been published by the other bodies, and we,
3 too, belong to this body.

4 THE CHAIRMAN: Thank you, Mr. Belanger.

5 MR. ARCHAMBAULT: There will be one other
6 witness just to illustrate to you what is happening.
7 It will be very short.

8
9
10 VICTEUR BEAULIEU, called

11 DIRECT EXAMINATION BY MR. ARCHAMBAULT:

12 Q. Mr. Beaulieu, do you carry newsprint
13 or have you done so for several years between Grand-Mere
14 and Montreal?

15 A. Yes.

16 Q. For how many years?

17 A. Nine years.

18 Q. How many trucks do you have to do this?

19 A. Five.

20 Q. Some time ago were you not advised by
21 one of your biggest customers that you would lose this
22 business because an agreement was signed between this
23 customer and the railways?

24 A. Yes, there was some talk of this, but I
25 don't know what will happen now.

26 Q. You did receive notice?

27 A. Yes.

28 Q. This rate which was to be agreed was lower
29 than yours?

30 A. Yes.



1 Q. And could you at the same rate continue
2 to provide transportation?

3 A. No.

4 MR. DROIN: Before we close, Mr. Chairman,
5 may I on behalf of the Province of Quebec extend our
6 sincere appreciation to you and the co-members of the
7 Commission for acquiescing to an application which I
8 made that you come to Quebec and spend three full days.
9 I hope that the sittings were not too tedious, and I
10 really hope that you come back to us again.

11 To counsel who took the trouble to come to
12 Quebec I also extend my thanks for their cooperation
13 and spirit of, let us say, serenity that prevailed
14 throughout these sittings.

15 THE CHAIRMAN: I well remember the night you
16 came and persuaded us to come here for three days you
17 emphasized the necessity for experimenting, as we have
18 done, in simultaneous translation, and I think it has
19 been a great success, and we are particularly indebted
20 to the young ladies for the splendid job they have done.

21 MR. HUME: I wonder, Mr. Chairman, just before
22 we adjourn if I may add to what has been already said
23 this morning. I did not wish at that time to intrude
24 into the presentation of Mr. Archambault and add my re-
25 marks to the remarks with respect to the late Hugh
26 O'Donnell. I recall well, as I know you will, sir,
27 that we were all counsel with Mr. O'Donnell on the Turgeon
28 Commission, and I shall never forget Mr. O'Donnell in
29 cross-examining the witness from Prince Edward Island
30



1 and quarrelling with him about his finding the source
2 of his figures receiving the reply: "I am sorry, I
3 had hoped you could tell me. I shipped them via the
4 C.N.R. Express and they have been mislaid." Mr.
5 O'Donnell took it in such kind spirit, and it was
6 typical of his whole conduct.
7

8 Not only on behalf of his clients and of
9 counsel, I just wanted to have my remarks on the record
10 at this time to say how sorry we were to hear of his
11 passing.

12 May I say also that we have appreciated the
13 hospitality of this Province.

14 MR. SINCLAIR: Before we adjourn, Mr.Chairman,
15 on behalf of counsel, the very few that are here, and
16 under the disability that I am in this matter of language,
17 I therefore do appreciate Mr. Drøin's courtesy in
18 impressing on you, sir, the idea of giving us simul-
19 taneous translation, and I congratulate them on a very
20 excellent job.

21 THE CHAIRMAN: I think, in referring to what
22 Mr. Hume said, to many of us who have been at the Bar
23 with Mr. O'Donnell there will be stories to tell. He
24 was a real Irishman in every sense of the word.

25 I want to thank Mr. Pilon for the assistance
26 he has given us, as well as the young ladies.

27 We thank them for their hospitality, and we
28 have been helped very much. I think we have got through
29 a lot of work this morning, and I am sure Mr.Archambault
30 feels we have.



1
2 MR. ARCHAMBAULT: Mr. Chairman, will you
3 allow me to add our warmest and sincere thanks for
4 your hearing and also for your kindness. Thank you
5 so much.

6 THE CHAIRMAN: We have tried, as a Commission,
7 to listen patiently to everything that could be said to
8 us.

9 Now we will adjourn until ten o'clock on
10 Monday morning in the Board of Transport Commissioners
11 office in Ottawa.

12 MR. SINCLAIR: Mr. Chairman, on behalf of
13 counsel who will be appearing there, we do know that
14 the first brief is a brief, the cross-examination of
15 which was adjourned from Regina, Saskatchewan, but
16 immediately following that are a number of other various
17 briefs, and once again I must say on behalf of counsel
18 that we haven't got copies of them. We have copies of
19 a list that shows that there are going to be ten or
20 twelve briefs, and we have seen one of them.

21 I don't know if the Secretary of the Commission
22 on Monday could make an effort to try to have a few
23 copies for counsel.

24 THE CHAIRMAN: We will try to let you have
25 some of our own.

26 MR. SINCLAIR: Thank you, Mr. Chairman.

27 ---Adjournment.

28 (Page No. 9000 follows)
29
30

Mr. MacFarlane

ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

OTTAWA

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-

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-

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Mr. G. Doherty

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Saskatchewan

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Mr. A. D. McDonald, Q. C.

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in
the Court Room, Board of Transport
Commissioners Offices, Ottawa,
Ontario, on the 21st day of March,
1960.

COMMISSION

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Major N. Lafrance	Assistant Secretary



Ottawa,

Monday, March 21, 1960.

---On commencing at 10.00 a.m.

THE CHAIRMAN: Well, gentlemen, we will come to order. Dr. Winch, will you step into the box, please.

MR. DOHERTY: Mr. Chairman, before Dr. Winch is available for cross-examination, may I make a few comments?

THE CHAIRMAN: Certainly.

MR. DOHERTY: I would like to refer to Dr. Winch's evidence in chief, which is contained in volume 33 of the transcript at pages 5126 to 5196. I wonder if I may at this point make a brief comment on the hearings at Regina. As you recall, when the brief came forward for presentation, at the request of counsel and with the concurrence of the Commission the brief was stood over for cross-examination in Ottawa. At that time the people of Saskatoon were somewhat concerned by the fact that it had been commented that this brief had not been in the hands of the Commission and counsel in sufficient time to allow for adequate study. I am advised the copies were initially filed with the Commission on January 26, 1960, and that the railways were furnished with copies on February 3, 1960, and additional copies were furnished to all counsel in Winnipeg on February 9.

THE CHAIRMAN: Well, you may remember what sort of a show we had in Winnipeg.

MR. DOHERTY: I quite appreciate that.

THE CHAIRMAN: From 9.30 in the morning until



1
2 11.30 at night, and there wasn't much chance for anyone
3 to do any work on the briefs, outside of the Winnipeg
4 briefs.

5 MR. DOHERTY: I quite appreciate that, Mr.
6 Chairman. My reason for making this comment is that the
7 Saskatoon people felt they had been singled out for
8 comment, perhaps unjustly, for the reason, according
9 to the Commission's direction, they were required to file
10 25 copies with the Commission in Ottawa, which they had
11 done, and were unaware of the requirement to furnish
12 copies to counsel.

13 I would like to suggest to the Commission,
14 because we have run into this before wherever we have
15 been, -- that copies of the briefs are only handed to
16 counsel at the commencement of the reading of the brief,
17 and this presents many difficulties in enabling counsel
18 to have an opportunity to study them.

19 THE CHAIRMAN: There was no intention to
20 reflect on Saskatoon. The unfortunate position that
21 Saskatoon was in was that its brief was very important,
22 and that is why time was of the essence, and notwithstand-
23 ing all the pleas and orders of the Commission, the briefs
24 have come in late, and I think we understand the situation
25 and there is no reflection on Dr. Winch or Saskatoon at
26 all.

27 MR. DOHERTY: I very much appreciate that comment,
28 sir. It was our feeling that it was the nature and
29 quality of the brief ---

30 THE CHAIRMAN: The brief was an important brief;
that is why it had to be adjourned.



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MR. DOHERTY: If I may say so, Mr. Chairman, this is one of the few briefs that deals with the national questions as well as the local interests, and I think the Saskatoon Board of Trade and the City of Saskatoon are to be complimented on what has prompted them to prepare a brief of this nature, and they are more than happy to co-operate with the Commission in coming to Ottawa for cross-examination, and I wish to thank the Commission for the arrangements that have made this possible.

I think Dr. Winch would be available for cross-examination now.

DR. WINCH, recalled.

CROSS-EXAMINATION BY MR. CUMMING:

Q. Dr. Winch, I propose to go through this, not with the use of the transcript, but with the use of your memorandum, and I am going to go through this in the order in which it appears in your brief, and I will give you references to the pages and the paragraphs I am going to ask you to comment on.

I draw your attention, firstly, to paragraph 1, in about the middle of the first page, where you say, in part:

"... we suggest to the Commission that most of our regional difficulties have arisen over the years through a failure in the past to develop a policy for the nation as a whole, but rather to build up a most complicated agglomeration of ad hoc solutions to local problems."



1
2 I wonder if you would be good enough to amplify
3 this for the Commission, and tell them just what are
4 what you describe as these "ad hoc solutions to local
5 problems"?

6 A. I am referring to local problems. I should
7 perhaps state that "local" applies partly on a geographic
8 basis and partly to problems of particular industries or
9 particular movements, but which are part of the whole
10 railway freight picture. It does appear that decisions
11 in the past in establishing rates have been made with
12 reference to particular movements where they cause problems,
13 and I am of the opinion that sometimes these difficulties
14 have been ironed out without, perhaps, full reference to
15 the implications which that solution has on other parts
16 of the picture. That is why I refer to ad hoc solutions,
17 without looking at the full implications of that solution
18 on other parts of the system.

19 Q. Can you be a little more specific: What
20 solutions do you have in mind that fall under this
21 description of ad hoc solutions?

22 A. Well, I think, if I may refer to para-
23 graph 66 of my own brief on page 24, there is perhaps a
24 good example there, where I refer to the basic philosophy
25 of agreed charges, in the previous paragraph, and the
26 fact that agreed charges have been made, and competitive
27 rates made, to apply to particular movements. The result
28 of that is that some movements have had rates reduced and
29 others not, and while the reductions on some rates has
30 individually solved the particular problem, the effect
on other rates and regions may not have been fully



1
2 considered.

3 Q. Those, then, are what you describe as an
4 ad hoc solution to the particular problem of a particular
5 movement or a particular industry?

6 A. Yes, that would be an ad hoc solution.

7 Q. Do you include in the umbrella of this
8 description of ad hoc solutions such things as the bridge
9 subsidy or the Maritime Freight Rates Act -- larger
10 questions of that sort?

11 A. They would be ad hoc solutions, but I don't
12 say no consideration was given to the full picture. They
13 were all ad hoc solutions, but not in all cases does the
14 criticism apply.

15 Q. Are there other solutions which you would
16 describe as ad hoc? I suppose you would include some
17 competitive rates that have been published?

18 A. Yes, I would say anything that refers to
19 part of a structure, and not to the structure as a whole,
20 would be ad hoc.

21 Q. Are there any subsidies included in those,
22 or are you not addressing your mind to that?

23 A. They would come as part of the problem, yes.
24 You mentioned the Maritime Freight Rates Act, which is a
25 good example.

26 Q. What about the bridge subsidy?

27 A. Yes, that would be an ad hoc solution.

28 Q. The Feed Grain Assistance Act?

29 A. I am not particularly familiar with that
30 act, but insofar as it sounds, as if it applies only to
feed grains, yes, that would be ad hoc.



1
2 Q. Are there some of these subsidies which
3 you feel are not serving the purpose for which they were
4 created?

5 A. No, that was not my criticism at all.

6 Q. As I understand it, you just feel that things
7 have been done on a piece-meal basis?

8 A. Yes.

9 Q. Going over to paragraph 3, you speak of a
10 national policy which involved two major principles:
11 Tariff barriers to force trade routes to develop between
12 the different regions of Canada rather than with the
13 U. S. A.; and the building of railways to link east and
14 west with central Canada to make that trade possible. Do
15 you consider that those two objectives are still proper
16 objects of what could be described as a national transport-
17 ation policy?

18 A. Insofar as the latter is concerned, the
19 national transportation policy must involve transport from
20 the centre to the east and west. As regards the tariff
21 part of it, really, I don't think we want to get into an
22 argument on tariff structures and the theories of inter-
23 national trade. It is hardly a matter of transport.

24 Q. Apart from the specific problems that may
25 arise over tariffs, you feel that the encouragement of
26 east-west trade is a proper object of a national trans-
27 portation policy?

28 A. Yes, I suppose it is.

29 Q. Then you go on to say that tariffs have
30 benefited the industrial economy of central Canada, with
resultant higher prices for the consumers of their products



1
2 in the west; and producers and consumers in the west have
3 met the higher transport costs resulting from longer rail
4 distances on the all-Canadian routes. Do you suggest
5 that it was only central Canada that benefited from these
6 tariff policies?

7 A. I do not suggest categorically it was only
8 central Canada, but I feel the bulk of the benefit came
9 to the industrial interests, and they were located
10 primarily in central Canada. There was certainly an
11 emphasis on that region.

12 Q. Could it be said that by promoting the
13 development of east central Canada, a market was built up
14 and provided for western goods?

15 A. It could be said, yes.

16 Q. Well, would you say it?

17 A. I would say that, yes, a market to a
18 certain extent was built up, but how significant it was
19 I would not be prepared to offer an opinion. Whether
20 it was insignificant or really a major market, I would
21 not be prepared to offer an opinion.

22 Q. I take it you feel it is a question of
23 degree, and you feel central Canada has come off better
24 than the west?

25 A. Yes.

26 Q. Going on to the next page, Dr. Winch,
27 about a third of the way down, in the fifth paragraph,
28 you say:

29 "In fact the additional costs of movements north
30 of the lakes, over and above those freight charges
which would have been necessary on alternative routes



1
2 "from U. S. sources of supply, have been borne
3 largely by consumers in western Canada...."

4 The bridge subsidy, of course, was designed to
5 alleviate the burden of that movement across the north
6 of the lakes?

7 A. Yes, and in part it has done so.

8 Q. That is what I was going to say. Do you
9 think it has achieved the purpose for which it was
10 designed?

11 A. In part, but I don't think it has solved
12 the whole of the problem.

13 Q. Do you feel that subsidy should be main-
14 tained?

15 A. That is a question on which I would not like
16 to offer an opinion without studying it.

17 Q. When you say it has achieved that object
18 in part, do you feel it would have achieved that object
19 to a better or greater extent if it had been there?

20 A. To a greater extent, yes.

21 Q. Should it have been established earlier?

22 A. Yes, I suppose one can say that it would
23 have been a logical part of the development of trade
24 across that region.

25 Q. Do you consider that to be a merely
26 regional or ad hoc solution?

27 A. Ad hoc, but it applies to more than one
28 region.

29 Q. Is it the sort of solution which is con-
30 sistent with a national transportation policy?

A. It is the sort of solution which need not



1
2 necessarily be inconsistent with a transportation policy.

3 Q. I wonder if you are prepared to be affirm-
4 ative about it?

5 A. Yes, I suppose it could be quite consistent
6 with a policy of re-orientating trade to get it in an
7 east-west direction rather than a north-south direction,
8 to subsidize such movements by subsidy.

9 Q. And that, of course, is a reorientation
10 which the organization you represent -- the Saskatoon
11 Board of Trade, -- considers a desirable end?

12 A. I have not said that, and the Board of
13 Trade has not made any statement on whether it considers
14 that a good or bad thing, and we have not tried to dig
15 up history or correct it.

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2 Q. You see, in paragraph 85 on page 29, if
3 you will permit me to take this out of order for a moment,
4 under the heading of "Major Recommendations", this appears:

5 "That an attempt be made to consolidate the various
6 rate systems aimed at special or regional problems
7 into a comprehensive national policy, and that this
8 policy be aimed primarily at the future development
9 of the north and west of the country."

10 Is it to that sort of object that the Bridge
11 Subsidy is directed?

12 A. I don't know that the objective of the
13 Bridge Subsidy was to this particular end, but certainly
14 in part it has the effect of furthering that end to a
15 certain extent.

16 Q. And that it plays its part in securing
17 that object. With that recommendation in mind, would
18 you say whether or not you think the Bridge subsidy
19 should be maintained, continued?

20 A. I think it is very difficult to take one
21 particular part of the rate structure and say whether
22 that should or should not be maintained in isolation
23 with the rest of the rate structure. Our recommendation
24 is that the whole structure be re-examined and put into
25 one logical framework. Now, whether the Bridge Subsidy
26 would have its place in that framework would be the result
27 of study.

28 Q. By whom would that study be made?

29 A. We suggest the Commission study it. Whether
30 of the Board of Transport Commissioners should make
it or some other body is a matter of opinion.



1
2 Q. That is the recommendation you had in
3 paragraph 85, the object which you have in mind, by
4 whoever undertakes such a study?

5 A. Yes.

6 Q. For the assistance of either this Commission
7 or such other board who may undertake that study, do you
8 think that such a study would bring about the object that
9 is contained in paragraph 85, that the Bridge Subsidy
should be maintained?

10 A. I think that is prejudging the study. If
11 we had the answer before the study, there would be no
12 point in making that study.

13 COMMISSIONER MANN: You say you can't look at
14 the Bridge Subsidy in isolation, you must look at the
15 structure as a whole, and you ask someone to examine the
16 structure. You know, I think, as well as anyone else,
17 that you can examine but you must have some criteria for
18 a solution, and if my understanding of Mr. Cumming's dis-
19 cussion with you is right, do you think that the criterion
20 that went into the Bridge Subsidy, namely, the shortening
21 of the lines between east and west, is a desirable criterion
for this country to follow?

22 THE WITNESS: It is one desirable objective, yes.

23 COMMISSIONER MANN: It is a desirable objective?

24 THE WITNESS: Yes.

25 COMMISSIONER MANN: Then do you think that this
26 objective should be achieved by means of a subsidy
27 designed to shorten the transport lines between east and
west?

28 THE WITNESS: Now, whether a subsidy is required
29 is another question. There may be lower rates. Whether
30



1
2 the lower rates can be brought about by adjustments in
3 the rate structure is another question.

4 COMMISSIONER MANN: The objective is the
5 shortening of the transport lines between east and west
6 over the rails, and if that can't be done by a national
7 evolution of the rate structure, then the Saskatoon
8 Board of Trade recommends a subsidy between east and west.

9 THE WITNESS: I don't think it is so much a
10 shortening of lines as to achieve a rate structure which
11 is comparable with the rate structure in other parts of
12 the country. You can call it line shortening if you like,
13 and, if necessary, that may require a subsidy. But I
14 don't hold the opinion that it would be necessary.

15 COMMISSIONER MANN: You told us you have a
16 circuitry between east and west. Now, surely it would follow
17 that in order to get rid of this circuitry and to put it
18 on a par with what you call the natural line of communica-
19 tion some adjustment should be made because the circuitry
20 raises the cost of transportation between east and west, in
21 your opinion.

22 THE WITNESS: Not so much that it raises the
23 cost of transport between the east and west,,but that it
24 raises the cost of moving goods.

25 COMMISSIONER MANN: It increases the cost of
26 moving goods from east to west.

27 THE WITNESS: Yes, if by east you include United
28 States' sources of supply as well as Canadian.

29 COMMISSIONER MANN: This circuitry could be
30 avoided by a subsidy shortening the lines between east and
west.



1
2 THE WITNESS: Yes.

3 COMMISSIONER MANN: And this is what you
4 recommend.

5 THE WITNESS: Yes, if there is no other way,
6 that is what we would recommend.

7 THE CHAIRMAN: You hesitate. You ask this
8 Commission to accept the whole question. Your Board of
9 Trade is a very important Board of Trade and it has given
10 a lot of study to this matter. Now, we want help if
11 we are going to examine it. What is your view?

12 THE WITNESS: I am in a difficult position here.

13 THE CHAIRMAN: So are we, and we want help and
14 you hesitate, and since you dump it in our lap there
15 doesn't seem to be very much help for us.

16 THE WITNESS: I agree you have a very great
17 problem if you accept our recommendation, but I have not
18 had as much opportunity to devote to it as I would like
19 and my study has not gone to the bottom of it, in my
20 opinion.

21 THE CHAIRMAN: Is it right or wrong? Would
22 you go that far?

23 THE WITNESS: What is right or wrong?

24 THE CHAIRMAN: Is the Bridge Subsidy a proper
25 thing or should be discarded?

26 THE WITNESS: I can as yet see no reason for
27 discarding it; put it that way.

28 THE CHAIRMAN: All right, Mr. Cumming.

29 MR. CUMMING: Q. One of the objectives that
30 the Saskatoon Board of Trade is interested in, as I
understand from the tenor of your brief - I am not



1
2 directing myself to any specific paragraph -- is the
3 development of industry in northern Saskatchewan and
4 in the Saskatoon area particularly.

5 A. I would say that is one of our most important
6 objectives, yes.

7 Q. I just find as a matter of interest in
8 this morning's "Gazette" a report under the Regina date
9 line of a year-long study which was apparently concluded
10 by the Stamford Institute in California which has issued
11 a 370-page report, which concludes, according to this
12 article, that Saskatchewan is on the threshold of consider-
13 able industrial development. Now, I appreciate that this
14 is just a newspaper summary or report of this study.
15 I think with your permission, Mr. Chairman, I will content
16 myself with two paragraphs here. There are two short
17 paragraphs here which I would like you to comment on
18 for the benefit of the Commission. It says:

19 "But increasing freight rates and the expanding
20 prairie population are both acting to cut the
21 prairie market loose from the St. Lawrence and
22 West Coast areas into an independent market area.

23 Thus, paradoxically, the rising freight rates
24 about which the prairies have protested so much,
25 are having one salutary effect - encouraging
26 industries to establish in the west to escape the
27 spiralling costs of shipping."

28 I wonder, sir, if you would be good enough to
29 comment on that?

30 A. It isn't the first time I have heard this
argument. I have commented on it in the brief itself.



1
2 I don't know whether it can put my finger on the exact
3 point in the brief where we comment on this. It is
4 paragraph 38, page 14.

5 I think in that case I have found my answer, that
6 in part it is true, that if you isolate the prairies by
7 high freight rates it is much the same as a high tariff
8 barrier, but I don't think it is true by any means that
9 the prairie region can be developed to a significant
10 extent in isolation because its market is not large
11 enough to absorb its products and it cannot produce all
12 its needs. So in some industries there is something in
13 the argument that they are protected which applies to
14 a very limited extent.

15 Q. So such benefits would be, in your opinion,
16 very limited?

17 A. Limited, and more than offset by these dis-
18 advantages of other movements which still have to come
19 across the country.

20 Q. Coming back to page 3, the same paragraph
21 that we were discussing, in the last sentence you say:

22 "...the cost of unity in the form of higher freight
23 rates has been borne by consumers in the west."

24 I take it that that cost of unity in the form
25 of higher rates and its burden has been shared by any
26 long-haul shipper, wherever he may be. Would you
27 agree with that?

28 A. Only insofar as the shipments have been
29 affected by the national policy.

30 Q. What about the shipper or the receiver in
the maritimes, a long-haul area?



1
2 A. The receiver of goods, the movement of
3 which was affected by tariffs? That is my point, that
4 a tariff at some point means that it comes into an area
5 from an alternative source of supply from that which it
6 would otherwise come and the cost goes up, and therefore
7 the person paying pays the burden. This is limited
8 movement of goods affected by tariffs.

9 Q. I understand that maritime trade was
10 affected by a national tariff policy which altered the
11 course of trade between the maritime region and the north-
12 eastern United States to an orientation in central Canada?

13 A. Yes.

14 Q. That being the case, then, would you say
15 that the cost of unity in the form of higher freight rates
16 has been limited to trade affected by tariff policies by
17 shippers in the maritimes?

18 A. Yes; except, of course, that the Maritime
19 Freight Rate Act has to some extent offset that.

20 Q. The Maritime Freight Rate Act is the measure
21 of relief that was granted to shippers in the maritime
22 area?

23 A. Yes.

24 COMMISSIONER MANN: Dr. Winch, the Maritime
25 Freight Rate Act does not apply inbound, so it could not
26 very well be a measure of relief for shipments from an
27 alternative source of supply.

28 THE WITNESS: That is true, but it certainly
29 applies outbound, and, insofar as producers had to find
30 alternative markets, then, of course, you would find
some benefit from the Maritime Freight Rate Act.



1
2 COMMISSIONER MANN: We are discussing with
3 you the position of the consumer, and I was going to suggest
4 to you that the consumer does not benefit from the Maritime
5 Freight Rate Act because it does not apply, anyhow.

6 THE WITNESS: In the maritimes the effect of
7 the national policy was probably more on movements going
8 out than on those coming in, where in the west the
9 effect was more on those coming in than going out.
10 Insofar as it affected movement out from the maritimes,
11 the Maritime Freight Rate Act gave some assistance; in-
12 sofar as it affects those coming in, it does not give any
13 assistance and the burden is still there.

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16 (Page 9021 follows)
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1 Q. What about the case of Newfoundland?

2 A. We have not studied the case of Newfound-
3 land.

4 Q. Let us just contemplate for a moment a
5 map of the Dominion of Canada. Newfoundland is one of
6 the more remote areas, as you can see. Would this
7 long-haul problem and the extent to which long-haul
8 shippers have paid the cost of higher freight rates
9 apply to people in Newfoundland?

10 A. Are you still talking about the effect of
11 the tariff?

12 Q. I am still talking about the cost of
13 unity in the higher freight rates which you say has
14 been borne by consumers in the west. I am wondering,
15 do you say that that whole bill has been paid by the
16 western shippers or the western residents, shippers or
17 receivers, or has it been shared by other people in
18 Canada?

19 A. I would say the West has not paid 100 per
20 cent. There have been burdens on other regions, but
21 the burden of the West has been considerably above the
22 national average. I would put it that way.

23 Q. Do you suggest that the western areas
24 should be assisted by a subsidy or some sort of aid
25 such as is provided under the Maritime Freight Rates
26 Act?

27 A. It would not be a bad idea, but I do not
28 necessarily suggest it. I would say it might be one
29 solution if there is no other way of doing it. If
30



1 this solution has worked in the maritimes it might work
2 for the West, but I am not necessarily advocating it
3 as the only solution.

4 Q. Would such a solution be in your opinion
5 consistent with a cohesive national transportation policy?

6 A. It might well be, yes.

7 Q. For the assistance of this Commission, do
8 you think that assistance as is provided under that Act
9 should be instituted for the western regions of this
10 country?

11 A. I do not think anything should be done
12 without studying the problems and I have not studied the
13 problems. I went as far in my brief as my studies took
14 me, and my studies did not solve the problem. That is
15 why I advocate further studies. I have not done the
16 studies and I do not know the answers.

17 Q. You point out that the situation you find
18 discloses that the cost of unity that is borne by the
19 people in the west is inequitable. You have gone far
20 enough in your studies in the limited time you had to
21 reach that conclusion?

22 A. Yes.

23 Q. It is the problem of how to answer it that
24 you have not been able to do?

25 A. Yes.

26 Q. I was going to ask you if you could assist
27 the Commission by telling them what you think, this
28 situation being inequitable, what would be equitable?
29 Are you prepared to express an opinion on that?
30



1 A. Not further than I have done in the brief.

2 THE CHAIRMAN: You are leaving it to the six
3 wise men?

4 THE WITNESS: I have gone far enough to know
5 that there is a very difficult problem. I have thrown
6 out some pointers. If I had gone on with the study,
7 this is the way to go on with it, but I have not gone
8 on with the further study.

9 MR. CUMMING: Q. In paragraph 8, turning
10 over to page 4, the second sentence, three lines down,
11 you say:

12 "The main reason for this is that class
13 rates carry only one-tenth of the value of goods
14 moved."

15 Now, my instructions are that the class rates of traffic
16 contributed something of the order of 8 or 9 per cent
17 of the railway revenue. Is that what you have in mind?

18 A. Yes. I am sorry -- the words "value of
19 goods moved" are horribly ambiguous. I mean one-tenth
20 of the revenue derived from the movement.

21 Q. You are not talking about the value
22 of the goods in the box cars?

23 A. Not whether they are watches or corn or
24 what -- no.

25 Q. You say:

26 "Furthermore, while class rates might be
27 lowered in the west, raising them in the east is
28 often impossible because of the competitive
29 nature of transport in central Canada."
30



1 You are not suggesting that class rates are not the
2 same in the east and in the west?

3 A. I am not suggesting that at all, no.

4 Q. Are you suggesting that it would be
5 desirable that class rates should be raised in the east?
6 Should we get away from equalization of class rates?

7 A. No, I have not suggested that.

8 Q. In the next paragraph you adopt the com-
9 ments of Dr. Innis where he says:

10 "No scheme of equalization can be devised
11 which will overcome the effects of competition in
12 the St. Lawrence region as reflected particularly
13 in competitive rates."

14 I suppose, doctor, that if the railways were required
15 to give rate reductions in the western region of Canada
16 commensurate with the competitive rates that they might
17 establish in the east that that would be a scheme of
18 equalization that would meet the competition in the St.
19 Lawrence region ?

20 A. That would, but it would presumably in-
21 volve a large deficit to the railways.

22 Q. Oh, indeed.

23 A. Obviously, if we reduce all the rates down
24 to the level of the lowest, you have equalization, but I
25 do not think the railway problems are solved that way.

26 Q. You do not think the problems would be
27 solved that way, and I take it you do not suggest such
28 a measure should be adopted?

29 A. No, because it involves extensive subsidies.
30



1 COMMISSIONER ANSCOMB: You would not have
2 the railways. The subsidy would only be paid by the
3 mass of the people. It is only another tax problem?

4 THE WITNESS: That is why I do not think it is
5 a good solution.

6 MR. CUMMING: Q. You comment in paragraph
7 11 on page 5:

8 "The west is forced to pay the cost both ways."
9 We heard this submission or argument or comment, or
10 however you wish to describe it, before. I wonder
11 whether you can assist the Commission. Who actually
12 pays the freight bill, and precisely what do you mean when
13 you say: "The West is forced to pay the cost both ways"?

14 A. When you say, "Who pays the freight bill
15 on a particular movement?" I would say it is impossible
16 to determine, but it is possible to determine who pays
17 the effect of any change in the freight bill. It is a
18 simple matter of economics. In so far as I am refer-
19 ring to this, I mean any changes in the freight bill.
20 As regards westbound movements the effect of the national
21 policy we have already discussed this morning was that
22 western consumers had to purchase from eastern Canadian
23 sources of supply rather than United States sources of
24 supply which involved a longer rail haul, which involved
25 higher prices in the west, which meant that the western
26 consumer was paying the bulk of the higher freight bill.
27 This is what I referred to as far as the westbound move-
28 ments are concerned.

29 Q. It is the increment of the difference
30



1 between what the rate would have been had you had access
2 to American sources of supply and the extra charge in-
3 volved in the more circuitous Canadian route?
4

5 A. That is right, and the increment is
6 merely the effect of bringing them north of the lakes.
7 That is as far as westbound movements are concerned.
8 As far as eastbound movements north of the lakes are
9 concerned, these are primarily joined to markets in
10 eastern Canada or export markets, where prices are
11 determined by competition in markets where there are
12 other sources of supply -- the prices which the western
13 producer can obtain in the eastern or overseas market
14 will be determined by other forces, and the price will
15 be determined by the freight rate.

16 Q. In that instance it is a question of burden?

17 A. In that instance it is a question of simple
18 incidence.

19 Q. In the next few lines you say:

20 "Which haul is necessary only because
21 we are excluded from American markets by
22 tariff barriers."

23 Are you talking in this context of American sources of
24 supply?

25 A. Source of supply is a market.

26 Q. As a purchaser's rather than a vendor's
27 market?

28 A. I suppose, both would be in there, but
29 primarily as a source of supply.

30 Q. Then you go on to say:



1 "Equalization has not been achieved on
2 more than a very limited scale. Instead we
3 find that the development of competitive rates
4 in central Canada has maintained their rates
5 considerably below the rates actually paid in
6 the west."

7 Just so that the Commission may appreciate the burden of
8 this brief, are you of the view that the railways
9 should be restricted in their rights to make competitive
10 rates?

11 A. To the extent which I have covered later
12 in the brief.

13 Q. We will be coming back to that, but so
14 that we know the direction in which we are going, your
15 view is that there should be some limitation on the
16 railways' rights to make competitive rates?

17 A. Some limitation on that, and also in so
18 far as competitive rates might involve reductions in
19 revenue some limitation on how far some other form of
20 movement may have its rates increased to make up for
21 revenue. Limitations on both, yes.

22 Q. We will probably go into more detail on
23 that, but that is the direction we are going?

24 A. Right.

25 Q. In your next paragraph you speak of water-
26 ways, inland navigable waterways, and you say in the
27 middle of the paragraph:

28 "It is true that the prairie region has benefited
29 to some extent from waterways and water competition
30



1 on long hauls to and from central Canada."

2 I understand that the price for grain at the lakehead
3 has advanced because of the seaway?

4 A. I do not know, but I should not be sur-
5 prised.

6 Q. That would be one of the benefits that
7 the region has received?

8 A. Yes.

9 Q. Are there some others you have in mind
10 when you make the statement that the prairie region has
11 benefited to some extent?

12 A. I had no specific benefit in mind, but I
13 was not prepared to say that the prairies had no benefit
14 at all. I had no specific benefits in mind.

15 Q. In paragraph 13 -- and this may be bringing
16 us in part to what you say about competitive rates -- you
17 say:

18 "The Panama Canal route to Vancouver has
19 led to the Pacific coast receiving substantial
20 advantages from the transcontinental rates."

21 Do you feel, doctor, that the impact of water competition
22 should or can be ignored by the railways in their rate-
23 making practices?

24 A. No, it cannot be ignored.

25 Q. You do not suggest, then, that points
26 located favourably, such as Halifax or Montreal or
27 Vancouver, should be unable to take advantage of their
28 actual geographic location ratewise?

29 A. No. It would be impossible to stop them
30



1 taking advantage of it.

2 Q. That is a fact you are prepared to accept?

3 A. Yes.

4 Q. And do you say, then, that the philosophy
5 of rate making, having regard to such factors, is a
6 sound one?

7 A. The basic principle. I do not say that
8 it is always perfectly applied, but the basic principle
9 is sound.

10 Q. Now, doctor, I am going on to the next page.
11 You speak of the Hudson's Bay line in paragraph 14 and
12 the high freight rates that are in force there. The
13 Crow's Nest rates apply on grain movements on the Hudson's
14 Bay line?

15 A. Frankly, I do not know.

16 THE CHAIRMAN: They do, yes.

17 MR. CUMMING: Q. In the next paragraph on
18 page 6, paragraph 15, you deal with truck transport
19 which has been responsible to a large extent anyway for
20 the rapid increase in competitive rates in recent years.
21 You say, and I am trying to clear up the use of the terms
22 here:

23 "Ontario and Quebec have pioneered in this field
24 largely because their climatic conditions make the
25 construction of all-year highways feasible . . ."
26 and so on. In the next sentence you say:

27 "Furthermore, the population density in central
28 Canada makes high type highways an economic
29 proposition financially."
30



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1 in the last sentence you say:

2 "As a result Central Canada has benefited
3 most . . ."
4
5
6 -
7
8
9 -
10
11
12 -
13
14
15 -
16
17
18 -
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21 -
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27 -
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30



1 Just so we know precisely what we are dealing with here,
2 when you say "central Canada" you mean the provinces of
3 Ontario and Quebec -- do you mean merely southern
4 Ontario and southern Quebec or did you have in mind the
5 Ontario-Quebec railway region which runs from Port Arthur
6 to Quebec City?

7 MR. SINCLAIR: To Labrador.

8 MR. CUMMING: Q. Am I in error on that?

9 A. You cannot put a ring around this region
10 but I would say the outer limits would be the whole
11 Province of Ontario and Quebec, and as you get towards
12 the St. Lawrence valley the effect gets stronger and
13 stronger. It is primarily the region from Windsor to
14 Montreal but it radiates out with great intensity.

15 Q. The concentration being in the St. Lawrence
16 valley?

17 A. Yes, that is where the concentration is.

18 Q. In the next paragraph you deal with the
19 situation as regards the railway revenues from com-
20 petitive charges and the figures which you set out show
21 that there has been a substantial increase in competitive
22 charges. You point this out a little later on, a
23 substantial increase in western Canada in competitive
24 charges in the period 1949 to 1957 and show as well the
25 fact that in the west the rate of increase is considerably
26 higher than it is in eastern Canada.

27 A. Taking the west as a whole, yes.

28 Q. You point out, and you say that Saskatoon
29 is not sharing in the increasing rate but in the west
30



1 as a whole there is an increase?

2 A. I do not say "not sharing" but I cer-
3 tainly say not receiving as much benefit as other
4 places in the west.

5 Q. In fact you say Saskatoon is falling
6 behind?

7 A. Yes.

8 Q. I wonder if you were to add to these
9 figures of the proportion of railway revenue derived
10 from competitive rates and agreed charges the proportion
11 of railway revenue derived from rates under the Crow's
12 Nest provision, the statutory grain rates, what would
13 the total percentage cost work out at?

14 A. I don't know.

15 Q. You have not addressed your mind to that
16 at all?

17 A. The acknowledgement on page 7 --
18 these are not my calculations. I have the original
19 document which may well have those figures in it, and I
20 will have a look.

21 MR. SINCLAIR: I take it what Dr. Winch is
22 saying is that he cannot prove it and just because the
23 trucking association compiled it it is the best source
24 he could think of.

25 THE WITNESS: What I meant was, when I have
26 not done calculations on statutory rates I cannot give
27 you the result of the calculations. I do not seem to
28 have the figures on my own authority or anyone else's.

29 MR. CUMMING: Q. Perhaps we will be having
30



1 a break shortly and we can come back to that, because I
2 am sure around this room you will be able to find that
3 and I would like you to get those figures and we will
4 have another look at these percentages.

5
6 Now, I am going to pass over, Dr. Winch, to
7 page 8, paragraph 19, and you are dealing still with
8 the question of competitive rates and agreed charges
9 and you say there:

10 "In view of the importance which now
11 attaches to them it is high time that the whole
12 philosophy of competitive rates and agreed
13 charges be subjected to a searching re-appraisal."
14 That re-appraisal, I take it, is to be done by this
15 Commission?

16 A. By the Commission or by such body as the
17 Commission wish to delegate the task to.

18 Q. And to what end?

19 A. The only help I can give is in this brief.
20 It is a very big problem and a very big problem takes a
21 long time to study.

22 Q. Your position is that here you accept
23 the basic philosophy of agreed charges and competitive
24 rates?

25 A. Yes.

26 Q. You say that is sound and we start from
27 that. I am just wondering if you can help the Commis-
28 sion, or whoever is going to do this reappraisal, by
29 suggesting in what respect the legislation dealing with
30 agreed charges and competitive rates might be amended?



1
2 A. As far as the legal amendment, I would
3 leave that to the lawyers. The question is what does
4 one want to bring about. What I would suggest as the
5 basic idea of an agreed charge or competitive rate
6 is simple: you cannot charge a high rate because of
7 competition so you bring it down. What I am suggesting
8 is the impact that a group of competitive rates has in
9 relation to different rates in different areas of the
10 country, and that has not been studied -- the indirect
11 effects of competitive charges, and that is what I think
12 the problem is. The whole problem cannot be solved
13 without thinking of the direct ramifications of it and
14 those are becoming of greater and greater importance.

15 THE CHAIRMAN: What criteria do you think the
16 Commission should have?

17 THE WITNESS: One way of going about it, sir,
18 is to take a look at the effect which the competitive
19 rates have had since the war, what effect they have had
20 on the relationship between the rates for different
21 commodities in different parts of the country; then one
22 might be able to establish criteria as to whether these
23 results are desirable or undesirable, and whether, of
24 course, anything can be done about them, and if so that
25 is the way I would go about the study. However, it is
26 a big job.

27 Q. I wonder if you would be good enough to
28 look at Section 334 of the Railway Act which is one of
29 the principal sections dealing with competitive tariffs
30 which we are dealing with in this same context. Are



1 there are any matters there which you think are, without
2 troubling yourself with the legal language, involved in
3 matters which are points which you think should be
4 changed or altered in any way to ---

5 THE CHAIRMAN: Well, that was recommended by
6 the Turgeon Commission.

7 MR. CUMMING: Yes, we have had ten years of it
8 -- nine years.

9 MR. DOHERTY: Mr. Chairman, this is a rather
10 extended section and I wonder if this question might be
11 deferred to give Dr. Winch a chance at lunch hour to look
12 at the section.

13 MR. CUMMING: Oh, certainly.

14 MR. DOHERTY: It is section 334.

15 THE CHAIRMAN: Yes.

16 MR. CUMMING: And hand in hand with that and
17 at the same time, perhaps you might have a look at the
18 provisions of the Transport Act dealing with agreed
19 charges because these two problems are dealt with together
20 in your brief.

21 MR. DOHERTY: Have you got a reference to that?

22 MR. CUMMING: No. 32, and we can come back to
23 that later on in the day.

24 MR. SINCLAIR: I think he should look at
25 Section 33 if he looks at 32.

26 MR. CUMMING: Yes.

27 THE WITNESS: May I ask how long the lunch hour
28 is?
29

30 MR. SINCLAIR: You can read it in three minutes.



1 MR. CUMMING: Q. And if the lunch recess
2 does not provide you with sufficient time you may have
3 overnight, because you are going to be here for another
4 day at least.

5 A. At the most.

6 Q. Just a couple of points for clarification:
7 in paragraph 21 you say:

8 "In this case the railway is making an
9 overall profit."

10 Just precisely what do you mean by that term "overall
11 profit" in this context?

12 A. Revenue greater than total cost.

13 Q. Total cost in that definition being fully
14 distributed costs, direct and overhead, variable and
15 overhead?

16 A. Yes.

17 Q. Variable and constant, I think perhaps
18 is the proper pair of terms.

19 A. There are all sorts of words for that.

20 Q. And you say in the first sentence in
21 paragraph 21:

22 "In the first place, the rate must be
23 remunerative."

24 Is that a principle which in your opinion should apply to
25 all movements, all transportation movements?

26 A. As a basic principle, yes.

27 Q. Should such a principle apply to, for
28 instance, the movement of grain to export positions?

29 A. I say a basic principle, the way I would
30



1 look at it, this basic principle of rates must cover
2 more than direct costs unless there is an extremely
3 good reason for their not doing so.
4

5 Q. When you say all rates must cover overall
6 costs you mean the totality of rates must cover the
7 totality of costs, or do you mean each individual rate
8 as a basic principle should cover all costs attributable
9 to that individual movement?

10 A. I think you have misinterpreted what I
11 say here. Each and every movement should cover more
12 than its direct cost is what I have said.

13 Q. That is what you mean when you say "remuner-
14 ative"?

15 A. Yes. Now, there may be ---

16 THE CHAIRMAN: And it would apply to all forms
17 of transportation, truck and rail?

18 THE WITNESS: As a first assumption, yes,
19 though there might be some good reason for it not apply-
20 ing in a specific case. It might be decided to sub-
21 sidize one industry in which case you subsidize their
22 freight rates. That may be done as a special provision
23 under extreme circumstances, but as a first approximation
24 in basic assumption, yes, all rates should be remunerative.



1
2 THE CHAIRMAN: That should be the rule?

3 THE WITNESS: Should be the rule, but there is
4 still provision for some exceptions.

5 MR. CUMMING: Q. I think I asked you -- so
6 that we may appreciate your view -- should that principle
7 apply to a movement such as the movement of grain to
8 export positions?

9 A. As a first assumption, yes, unless in that
10 case there are good reasons for making an exception.

11 Q. Are there, in your view, reasons for
12 making exceptions in the case of the grain movement?

13 A. May I make myself clear: I have undertaken
14 this study from the standpoint of the city of Saskatoon,
15 and I have not studied the grain rate problem. I have not
16 gone into the controversy, and, frankly, I don't have an
17 opinion on it. I have not expressed one in the brief,
18 and I would rather not express one now.

19 COMMISSIONER MANN: In paragraph 21 you say this
20 means the railway must cover more than the direct cost
21 of the movement: Can you envisage a situation where
22 the railway could just cover the cost of the movement and
23 no more? Would that be defensible under conditions of
24 joint costs?

25 THE WITNESS: If you can cost this to the
26 last cent, yes.

27 COMMISSIONER MANN: I am talking theoretically
28 in the field of economics. Under conditions of joint
29 cost, could you envisage, with the existence of back haul,
30 for instance, a situation where the railway would cover
no more than but just precisely the cost of the movement?



1
2 THE WITNESS: I would accept that as the mini-
3 mum.

4 ---A short recess.

5
6 MR. CUMMING: Q. Dr. Winch, I am on page 9
7 now. You have been speaking in this paragraph about some
8 of the competitive rates -- paragraph 22. You say:

9 "...it might well emerge that they would be better off
10 without the traffic than with the present low rates,
11 or alternatively that the rates might be raised in
12 many cases without losing a significant proportion of
13 the traffic."

14 Are there any specific rates that you have in
15 mind when you make this suggestion?

16 A. Not a specific single rate, no, but I
17 would be extremely surprised if all the rates were at
18 just the right level.

19 Q. In order to bring those rates to the
20 right level, you suggest there should be a study: Do
21 you suggest that should be done by the Board of Transport
22 Commissioners? Should they be the ones to examine this
23 and tell the railways to raise them, or do you think that
24 the railways should be left, in their own interest, to
25 maximize such rates as they can? In other words, how
26 is this end to be brought about?

27 A. Well, it would certainly be in the interests
28 of the railways to do it. Insofar as they don't wish to,
29 or are not prepared to, obviously some regulatory body
30 must do it, and it would appear to fall to the Board of
Transport Commissioners.



1
2 Q. And if the railways don't set about to
3 accomplish this, then I take it it would be your sugges-
4 tion that the competitive rates should be examined from
5 a costing point of view, and those that are found to be
6 on the low side should be raised by the Board of Transport
7 Commissioners?

8 A. Yes, that would be my line.

9 Q. In the next paragraph you use the term
10 "standard rates": You say, "Competitive rates necessarily
11 do not cover total costs, otherwise standard rates would
12 be no higher than the competitive rates?" When you say,
13 "standard rates", you mean class rates and the non-
14 competitive commodity rates?

15 A. I mean what are normally called normal
16 rates. I have called them standard rates. "Standard" is
17 synonymous with "normal".

18 Q. Then you go on in the last sentence to say:
19 "If the west is to be relieved of the burden of
20 subsidizing the east in this way, where else is
21 the revenue to come from?", your theme here being
22 eastern rates are low because of the competitive situation,
23 and they are, to that extent, being subsidized by higher
24 rates charged in the west?

25 A. Yes.

26 Q. I want to ask you this as an economist.
27 I know you have said you have not made any examination
28 of the grain movement, but assuming that the railways'
29 case is correct, and that the grain movement is not paying
30 its share, and the railways are losing money on that
movement, have you any views as to who is paying the loss



1
2 or subsidizing the loss that the railways are sustaining
3 on it?

4 A. Assuming that there is a loss, and that
5 is a hypothetical assumption -- I am not saying there is
6 ---

7 Q. I am asking you the question as an
8 economist.

9 A. Making that assumption, obviously the loss
10 is being borne by other shippers - by other rates.

11 COMMISSIONER ANSCOMB: Why is that necessarily
12 so?

13 THE WITNESS: If the railways are making a
14 loss on the grain rates, and the loss they are making on
15 the grain rates is not being borne by the railways, and
16 not by the government, it must fall on other people pro-
17 viding railway revenues.

18 COMMISSIONER ANSCOMB: Supposing it is falling
19 on the government: Does that necessarily mean that
20 other freight people are paying?

21 THE WITNESS: Not if it is falling on the
22 government.

23 COMMISSIONER ANSCOMB: Well, in the case of
24 the C. N. R., let me put it to you that in the last
25 year or so they have shown a deficit.

26 THE WITNESS: That is true.

27 COMMISSIONER ANSCOMB: Does that necessarily
28 say, then, that these rates have been increased on other
29 people?

30 THE WITNESS: No, it depends on how we frame
the assumption. I thought the assumption was, if the



1
2 railways are making a loss -- well, unless it is paid by
3 somebody else, it is going to be paid by other shippers;
4 let us put it that way.

5 MR. CUMMING: Q. Well, on this same hypothesis
6 that the railways are correct in their contention that
7 the grain movement makes a loss, as an economist, who,
8 in your opinion, should pay the cost of that loss?

9 A. As an economist, one doesn't answer such
10 questions. It is a political question.

11 Q. As an economist, do you think it is proper
12 -- or, as a political economist --

13 A. I am not a political economist.

14 Q. Well, I will try to be pure too. As an
15 economist, is it, in your opinion, a proper thing that a
16 loss of that sort should be paid by other shippers?

17 A. An economist does not have an opinion on
18 what is proper -- if you want to be pure.

19 Q. All right, I will leave it with that
20 definition of an economist, sir. In paragraph 24 you
21 talk about the question of class rates and that as a
22 system of rate making, which is common in many parts of
23 the world, and then you go on to say: "But the system
24 in Canada has been considerably modified as a result of
25 the impact of competitive rates and agreed charges."
26 You would not confine that to the class rate system in
27 Canada, would you?

28 A. This is not peculiar to Canada. I would
29 be surprised if this is peculiar to Canada.

30 Q. You saw this in England, didn't you?

A. I didn't see it, but I have no doubt it



1
2 applies.

3 Q. And it has happened in the United States?

4 A. Doubtless.

5 Q. This is a common problem to railways, in
6 many parts of the world?

7 A. Yes, I suppose it is.

8 Q. On page 10, still in paragraph 24, near the
9 top of the page, you are still speaking of competitive
10 rates and agreed charges, and the difference in rates
11 as between one point and another that results, and you
12 say: "This gives producers and consumers in regions with
13 alternative and competing forms of transport an advantage
14 over those regions less well served which is quite inequit-
15 able and unjustified." I think I have asked you this
16 before, but it comes up again here: Do you say that it
17 is inequitable that points like Vancouver or Halifax or
18 Montreal -- places with geographical advantages and
19 advantages of available competing forms of transportation
20 -- should have lower rates over those other parts and
21 regions which do not enjoy such advantages?

22 A. Naturally, a point with alternative
23 transport media has the advantage of the alternative trans-
24 port media, but insofar as it is using the same transport
25 medium -- namely, rail, -- then, there is no strong case
26 for an advantage.

27 Q. You say there is no strong case for an
28 advantage if they are using the same mode of transport?

29 A. Yes.

30 Q. I just want to see how far you go with
this: Do you say that even though alternative modes of



1
2 transport may exist but not be used?

3 A. If they are not being used, they are
4 irrelevant to the case.

5 Q. Well, let us just take the question of trans-
6 continental rates to Vancouver: Those, as I understand
7 it -- and correct me if I am wrong -- are established by
8 the railways in order to meet the threat of water com-
petition through the Panama Canal?

9 A. That is my understanding.

10 Q. And as I understand it, those rates would
11 be established if there are shipping lines operating
12 or even if there are not but would be if the rail rates
13 were too high: Do you agree with that -- as a matter of
14 fact, that is the situation, isn't it?

15 A. Yes.

16 Q. Well now, then, the railways having in
17 mind the either existing or potential competition from
18 water transport from the eastern points through the
19 Panama Canal to Vancouver, then set their transcontinental
20 rate at the level which in their opinion is appropriate
21 to meet that competition, and that rate remains, and so
22 the shipper to Vancouver uses the railway rather than
the ocean-going ship?

23 A. Right.

24 Q. Isn't that a case where the alternate mode
25 of transport is not being used?

26 A. Yes. I must expand that "where it is
27 not being used" to "or is not potentially about to be
used."

28 Q. Yes, I wanted to get this question of
29
30



1
2 potential competition.

3 A. Yes, if potential competition is there.

4 Q. And, as a matter of fact, I take it you
5 would agree that the railways simply could not disregard
6 that competition, actual or potential, in setting their
7 rates?

8 A. No; I have said the basic philosophy of
9 competitive rates is sound, and I stick to that.
10
11
12
13

14 (Page 9051 follows)
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1 Q. Than I would like you to be good enough
2 to explain to the Commission what is inequitable and
3 unjustified as to producers and consumers in regions with
4 alternative and competing forms of transport having an
5 advantage to regions less well served?
6

7 A. The competition forces a low rail rate.
8 Now, assuming that the rail rate is at the proper level,
9 that rate is going to be allowed, and that is unavoidable.
10 But while it is justified, what is not justified
11 is the fact that that rate should be much lower than a
12 rate to another point. The difference between taking
13 a competitive rate in isolation and saying that that
14 rate should be low and taking another rate and saying
15 that rate should be lower to other regions -- that is
16 the difference.

17 Q. To follow that through and consistent
18 with the conclusions you make in your brief, if such
19 low rates are to be granted to areas or regions and
20 to accept the idea that a low rate can be established
21 for that, then do you say that other points, intermediate
22 points, regions which do not have that competitive
23 advantage, should have their rates reduced to the same
24 level of the competitive point?

25 A. In terms of strict equity to a comparable
26 level, yes.

27 Q. Now, if that was the situation, if that
28 is to be taken, it takes me back to the question which
29 I asked you in connection with paragraph 9 when you
30 quoted Dr. Innis, that is on the question of equalization,



1 and I asked you, having adopted Dr. Innis' statement
2 that no scheme of equalization can be devised which
3 will overcome the effect of competition in the St.
4 Lawrence area, if you find that the railways should be
5 required to give rate reductions in the west, commen-
6 surate with competitive rates in the east, that that
7 would be a scheme that would meet competition in the
8 St. Lawrence region, and you said yes, but you did not
9 say that you would suggest that that is a solution,
10 otherwise there would be a tremendous deficit in the
11 railway operation?

12
13 A. There is a difference in my saying in
14 regard to your question concerning paragraph 9 that
15 to bring the rates down to the present lowest rate would
16 involve tremendous losses and saying that the competitive
17 rates are at the right level, in terms of equity, then
18 the other rates should be at the same level.

19 Q. It is your submission in part of this
20 brief that certain of the competitive rates are too low,
21 they should be adjusted?

22 A. I strongly suspect that, yes.

23 Q. We will assume for the moment that is
24 correct. Then let us assume that somebody, either the
25 Board of Transport Commissioners or some other body, is
26 going to force the railways or the railways, in their
27 own interest, are going to carry on their studies and
28 bring those unduly low competitive rates to the proper
29 level. So the next question will be: on the footing
30 that the competitive rates are all at the proper level,



1 having regard to competition, actual and potential and
2 whatever it may be, we have a picture of all competitive
3 rates at their proper levels, then do you say that as
4 a matter of equity all other rates to regions not
5 enjoying those competitive advantages should be
6 brought into line with the low competitive rates which
7 are at a proper level?

8 A. I think I must draw a distinction here.
9 Assuming that all the competitive rates are at proper
10 levels, I would say that while, as a matter of strict
11 equity, all other rates should be at the same level,
12 as a matter of practical solution that might involve
13 extensive losses. It is a question of what the proper
14 level would be. What I do maintain is that when the
15 competitive rates have to be reduced to a level which,
16 although remunerative in the sense that they cover
17 direct costs, do not cover the total cost, they should
18 not be assessed against other traffic. That is an
19 inequity.

20 Q. You say that as long as there are com-
21 petitive rates which cover total costs and are at the
22 proper level, having regard to all other circumstances,
23 then you say other rates to regions not having those
24 competitive advantages should come down to that level?

25 A. If a competitive rate covers total cost
26 it shouldn't have to be a competitive rate; it should be
27 the standard rate.

28 Q. Do you suggest that there should be no
29 standard or competitive rates which cover more than total
30



1 cost?

2 A. I can see no justification for them, no.

3 Q. Total cost, including overhead, capital
4 and a reasonable share of profits for the shareholder?

5 A. Yes, total cost and a reasonable return
6 on capital, a normal rate of profit.

7 Q. And that, in your opinion, would be the
8 ceiling for any movement anywhere?

9 A. Yes. The alternative is that the rail-
10 ways are going to make abnormally large profits on some
11 movements, and I would say that is not in the public
12 interest.

13 Q. I just want the Commission to appreciate
14 the position that you take, and your suggestion is that,
15 as a matter of rate making principle, total cost, used
16 in the manner in which you define, it should be the
17 ceiling for any rate of any sort?

18 A. Yes.

19 Q. Even for captive traffic which has no
20 other method of moving?

21 A. Yes. I think one of the objections to
22 any monopoly is that it can exploit traffic when it has
23 a chance to make a normal profit, and there are regula-
24 tions on the railways to avoid that happening.

25 Q. I want to get the broad picture of how
26 you think rates should be made. We have the ceiling
27 on the one hand. Now, below that ceiling there is room
28 for the railways to set lower rates, principally having
29 regard to the competitive position?
30



1 A. With a floor which is defined.

2 Q. And the floor would be direct costs?

3 A. Direct costs or that level which maximizes
4 the net revenue from the movement in question. Within
5 these two conditions they set the floor.

6 Q. The level which maximizes would be the
7 same or higher than the floor, called direct cost?

8 A. Yes.

9 Q. In other words, the level which maximizes
10 the main floor, direct cost, is the basement, and you
11 cannot go below the basement?

12 A. That is a fair way of putting it, yes.

13 Q. And that is the allowable range for rate-
14 making?

15 A. Yes.

16 Q. And you say as well that in intermediate
17 points, even though it has no competitive advantages,
18 either because of its geographical location or the avail-
19 ability of other means of transport, should have its
20 rates reduced to the level of the competitive rate that
21 is offered provided that competitive rate is not below
22 the higher possibility of the two floors?

23 A. No, I did not say that. What I said was
24 that we had the floor and the ceiling and the rates
25 would be at that ceiling, normal rates would cover total
26 cost, and it requires justification to bring a rate
27 below it. Not that all rates automatically come below
28 it, but when one rate goes down another rate should not
29 go up beyond the ceiling. But there is no reason to
30



1 bring a rate below the ceiling. Each rate below the
2 ceiling requires justification.

3 THE CHAIRMAN: Mr. Winch, you would be
4 opposed to any internal subsidization by the railways
5 on rates?

6 THE WITNESS: Yes. That summarizes it
7 beautifully.

8 THE CHAIRMAN: If there are the normal rates
9 as you have given them, how would the railways make up
10 their loss on the other rates that are lower?

11 THE WITNESS: In paragraph 23 I pose that
12 question myself: where else is the revenue to come from?

13 THE CHAIRMAN: Where do you think?

14 THE WITNESS: I think it comes from two
15 sources, in two different time periods, that as far as
16 the short period is concerned when the railways have
17 got their track and have got their equipment and the
18 movement, because of competition, cannot cover total
19 cost, the railways make a loss, and any business which
20 makes a loss in the face of competition eventually goes
21 out of business. In other words, there is one possible
22 argument, that the railways suffer the loss and go out
23 of business. The other is that if, in the national
24 interest, we cannot allow the railways to go out of
25 business, then the nation must pay the cost of keeping
26 them in business.

27 Then we have the point that the nation, in
28 the national interest, wants railways which can't pay
29 their total cost because of competition. If we think
30



1 they are still worth having as a nation, as a nation we
2 must pay for them.

3 THE CHAIRMAN: That gets back to subsidy.

4 THE WITNESS: Yes.

5 THE CHAIRMAN: And is that what you advocate?

6 THE WITNESS: On the assumption that it is
7 in the national interest, yes, but I don't have to make
8 that assumption.

9 THE CHAIRMAN: Is it in the national interest
10 that the nation adopt your formula for rate-making?

11 THE WITNESS: I would say yes.

12 THE CHAIRMAN: So subsidy is the only answer?

13 THE WITNESS: Well, the two possibilities
14 remain: subsidy, or the railways go out of business.
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2 THE CHAIRMAN: That is the choice -- either a
3 subsidy or the railways go out of business?

4 THE WITNESS: That is the choice. That is a
5 political decision -- whether it is worth paying a subsidy
6 to keep them in business.

7 COMMISSIONER ANSCOMB: Why are you so opposed
8 -- I think this is the term the chairman used -- to
9 subsidization of rates so that they can take care of
10 losses? It is all very well to keep talking about
11 the national interests, but business is business, and in
12 practical business you have to face facts. The facts are
13 that the railways have to go on and make a profit or they
14 cannot succeed. What is the objection to the railways
15 adjusting rates among themselves? I do not mean the two
16 competing railways, but internally, the whole structure,
17 to take care of the losses -- an internal subsidy, in
18 other words?

19 THE WITNESS: The objection is the impact it
20 has on the industry. To take a simple case, let us say we
21 have two points, one served by competitive transport and
22 the other not served by competitive transport. The point
23 served by competitive transport has rates above total
24 cost and the other below total cost. As far as the rates
25 above total cost are concerned, we are discouraging develop-
26 ment which is economically sound in that it can pay its
27 full cost of transport. We discourage it by taking above
28 the full cost to make up for losses elsewhere. That is
29 the unfortunate consequence and that is what happens.

30 MR. CUMMING: Q. I have just one more point
on this matter, Doctor. You spoke of the impact of the



1
2 rates on the location of industry.

3 A. Yes.

4 Q. You say that some industries, because of
5 their favourable location, enjoy below total cost rates,
6 and the railways are now loading that cost on to areas which
7 do not have such competitive advantages and that there-
8 fore discourages the location of industry in that area?

9 A. Yes.

10 Q. Is it not just a question of degree, because
11 there will be a rate differential? It might be a lesser
12 differential, true, but a rate differential in the two
13 areas?

14 A. But there is not only a matter of degree, but
15 I think an important dividing line. Let us take the two
16 cases. If one sticks to my principle with no rate above
17 total cost you have a differential between the total cost
18 of movement into the area without competitive transport and
19 the cost of movement into the area with competitive trans-
20 port, which is lower because the competitive movement has
21 lower costs. As far as that difference affects industrial
22 location, this is sound. When competitive transport has
23 lower transport costs and if they make up the difference
24 the industry settles there and it is perfectly sound, but
25 if you make the rates in the area which does not have
26 competition above total cost then you have industries
27 which would still settle in that region because of other
28 attractions and pay their full transport costs -- you
29 are paying a tax on the top of that, expecting a profit
30 to make up for losses elsewhere. Insofar as the profit
affects the location, it is most undesirable. That is why



1
2 I say it is a matter of principle, not merely one of
3 degree.

4 Q. In paragraph 25, on page 10, and the last
5 sentence of the paragraph, you say:

6 "Our rates in Saskatoon are certainly higher than
7 they would be in the absence of the necessity for
8 competitive rates."

9 Now, I want to put to you a contention which
10 we have heard and ask for your comment on it. We have
11 heard it said that, if eastern competitive rates which
12 make some contribution to rail overhead were not established
13 and the railways as a result of their failure to establish
14 competitive rates in those areas lost the traffic, that the
15 rates in the west would then be that much higher, and then
16 it goes on that, if that is sound, then it might be said
17 that to that extent the competitive rates are holding down
18 the rates in the west. Now, for the benefit of the Com-
19 mission, would you comment on that?

20 A. When you start to analyze joint costs,
21 you can get all sorts of queer arguments. As far as that
22 is concerned, to take the first part first, if your com-
23 petitive rate in the east covers more than direct cost,
24 but not total cost, so that it makes some contribution to
25 overhead, that contribution is still some contribution
26 and you are better off than if you lost the traffic
27 differential. In that case the rates in the west would
28 have to go up. Assuming that rates in the west would go
29 up to meet the rates in the east, it is perfectly sound,
30 but if you argue that to that extent the competitive
rates are keeping other rates down, I would say yes,



1
2 only if you accept the system that if you do not have
3 the competitive rates the other rates would go up. If
4 you put the ceiling there, it is not so. That is why I
5 want a ceiling.

6 Q. That is the whole basis and justification
7 for this proposition that you put forward, that there
8 should be a ceiling imposed on rates -

9 A. It is not the only justification but it
10 is certainly one of the points.

11 Q. In paragraph 27 you speak of the economic
12 fact of the possibility of loss and so on and you say:

13 "If this would mean their going out of business and
14 it is felt that this would be against the national
15 interest, then a subsidy is called for, but such a
16 subsidy must be carefully administered to avoid
17 upsetting the balance of competition in the transport
18 world."

19 First of all, may I ask you to explain to the
20 Commission what you mean by "the balance of competition
21 in the transport world"? What is that?

22 A. It is the nexus of relationships between
23 alternative transport forms competing for the same
24 traffic. What I am really getting at in this part is
25 that, if we have to take a simple example of trucks or
26 rails that can carry a movement from two points and,
27 because the trucks are paying their full cost can charge
28 a rate lower than the railway rate would have to be to
29 cover this competitive cost -- we have a competitive rail
30 movement. That means that the total cost of moving the
goods is lower by truck than by rail. The trucks



1
2 charge a rate that covers the total cost, but the rail
3 does not. If one pays out the subsidy from the national
4 treasury to make up that deficit of the total cost, then
5 what we are doing is carrying goods by a subsidized high-
6 cost medium when they could be carried by a lower cost
7 medium, and that is upsetting the balance of competition.

8 Q. I take it that when you say there should be
9 a ceiling on rates which would be total cost, what you
10 really have in mind is that it is, from an economist's
11 point of view anyway, a desirable end that all transport
12 should move on the low cost medium? Is that a fair in-
ference to be drawn?

13 A. As a basic principle, yes, we should take
14 advantage of the lowest forms of transport we have avail-
15 able. That is common sense.

16 Q. Let us assume this sort of case -- talking
17 about the balance of transport competition. Let us take
18 a competitive area where there is rail and truck transport
and the rail cost is X as its total cost.

19 A. X per unit or total cost?

20 Q. I do not think this is going to make much
21 difference in the proposition I am going to put to you.
22 I will stay away from X's and Y's too because they rather
23 frighten me. Let us assume that the rail cost is at a
24 certain level and that the truck cost is substantially
25 below that level, so that it can compete and undercut the
railways.

26 A. Right.

27 Q. Would you say the truck should be entitled
28 to charge a rate not only which effectively competes with
29
30



1
2 the railway and excludes the railway from the business
3 but is in excess of its lower level of cost? In other
4 words, should there be the same principle of a ceiling of
5 cost imposed on trucks?

6 A. If one is going to regulate transport,
7 I would say it would be logical to regulate all forms
8 of transport. The same principle would apply -- a normal
9 and fair return of profit would be included as cost,
10 but the same principle would be applied to rail, trucks,
11 air, ships, the lot.

12 Q. There would still be a balance of competition
13 in the transport world?

14 A. I might point out that whether, of course,
15 this is necessary in the truck world is another question,
16 in that you effectively have the position that truck
17 rates are at a level of practically total cost, with a
18 normal reduction of profit if you go higher. You have
19 competition between individual truck firms, which brings
20 the profits down. If the rate is not automatically
21 maintained, then enforce it.

22 Q. The free force of competition can be a
23 sufficient control for trucking, do you say that?

24 A. Yes, normally it would be, assuming of
25 course that you have got free competition.

26 THE CHAIRMAN: In some provinces, such as
27 Saskatchewan, the truck rates are regulated too?

28 THE WITNESS: Yes, but there you have not
29 free competition between trucks, because the truck
30 needs a licence, which means you enforce a monopoly.

THE CHAIRMAN: Not only a licence, but they



1
2 also have their rates fixed by order-in-council?

3 THE WITNESS: Yes.

4 MR. CUMMING: Q. I want to come back to this
5 main sentence in this paragraph, your suggestion that if
6 there is a danger of the railways going out of business,
7 and if this would be against the national interest, and I
8 ask you to make these two assumptions, that they be
9 retained in business and a subsidy is called for -- you
10 say a subsidy must be carefully administered. Can you
11 assist the Commission with your views as an economist
12 as to how a subsidy can be carefully administered, how
13 that object of careful administration of a subsidy can
14 be achieved?

15 A. You mean, purely from the standpoint of what
16 it should try to achieve or the administrative technique
17 of how you are going to do it?

18 Q. Let us have it under both headings.

19 THE CHAIRMAN: What yardstick would be used?

20 THE WITNESS: The yardstick would be any
21 number of forms: One, that the rate actually charged by
22 the railway should be at the proper level of a competitive
23 rate; two, that it is in the national interest that that
24 movement take place by rail; three, that the subsidy
25 on that movement be the difference between total cost
26 and the profit rate and that that subsidy be used for
27 that movement. I think those would cover it.

28 MR. CUMMINGS: Q. That is the yardstick as
29 to the levels?

30 A. The levels and where it is used. I think
that pretty well covers it.



1
2 Q. I see. Dealing again for a moment with the
3 question of competition, you told us that in many areas
4 at least, possibly Saskatchewan is an exception, that the
5 free play of competition would keep truck rates down to
6 the desirable level, which you suggest should be a maximum
7 for rail, that is, total cost?

8 A. Yes.
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15 (Page 9071 follows)
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1 Q. Now, do you think there should be com-
2 petition between the railways, having the two systems
3 here, to the end that the low cost carrier as between
4 them should get it? Is there room for the principle
5 to operate as between the two railways?
6

7 A. No, there is not. There is no basic
8 difference between the two forms of transportation but
9 in the railways in Canada we have two, we do not have
10 sufficient for a competitive situation. Secondly, of
11 course, we do not have these railways running side by
12 side linking all areas in the way we have trucks
13 running over the highways linking the same points, so
14 the railways do not compete the same as trucks and it
15 is undesirable they compete in that way because it would
16 duplicate a rail network which is expensive.

17 Q. I understand there are certain points in
18 the country where the railways do run side by side as,
19 for instance, between Toronto and Montreal?

20 A. Taking a case where they do?

21 Q. Taking a case where they do, what would you
22 say?

23 A. I would say if you can make sure there is
24 no form of combine or collusion then the competition would
25 operate, but I do not think we have ever had such a
26 situation and I do not see how we can bring one about in
27 the institutional framework that we have brought about.

28 Q. In paragraph 28 you say:

29 "The second possibility is to argue that the
30 operations of the railway must be treated as a



1 whole, and if one part makes a loss the railway should
2 be entitled to make a profit on another of its opera-
3 tions to offset this."

4 And then I come particularly to the next
5 sentence:

6 "This would be a simple solution and other
7 operations of the railway companies, such as their
8 hotels and revenue derived from land given them
9 in exchange for building and operating the rail-
10 way, would largely offset the loss."

11 Now, assuming that could be done in the case of the
12 Canadian Pacific, what would your view be as to the
13 practicality of this solution in the case of other rail-
14 ways which do not have these other assets over non-rail
15 earnings?

16 A. Well, first on the assumption this prin-
17 ciple is adopted and I am not necessarily recommending
18 it, but this is really an extension of the submission
19 which the Commissioner put forward that if you make
20 a loss somewhere you make it up somewhere else, and the
21 railway, like other businesses, is going to make it up
22 on its other operations. So far as the Canadian
23 Pacific is concerned, it has numerous operations and can
24 make it up on other operations. As far as the Canadian
25 National is concerned, the Canadian National is an
26 instrument of government, the Government of Canada
27 operates the Canadian National Railways, Trans-Canada
28 Air Lines and a number of other things, so presumably
29 the same thing would apply. If you make a loss on the
30



1 railway, and allow ~~that~~ loss to be offset or a profit
2 made somewhere else, make it somewhere else -- maybe it is
3 the TCA that does it.

4 Q. The long purse of the national treasury
5 would be the only alternative in the instance of a rail-
6 way which does not have sufficient in the way of other
7 earnings?

8 A. Let us put it this way: if the government
9 only operates enterprises which make losses it has to
10 make up the losses. That is what it comes down to, is
11 it not, if we apply the other assets and earnings of the
12 Canadian Pacific into the freight rate structure?

13 Q. And you say that these profits and these
14 earnings can offset any losses that the Canadian Pacific
15 may have sustained on its rail operation. What would
16 the situation be if, unhappily for Canadian Pacific,
17 it lost a lot of money on its other operations? Would
18 you say that the reverse of this proposal should apply?
19 Could freight rates make up for Canadian Pacific Airlines
20 or Consolidated or whatever it may be?

21 A. Providing the loss was justified the same
22 as the other loss was justified, namely competitive revenues
23 on an efficient business at a proper level and whether it
24 is in the national interest -- I do not think this would
25 apply to hotels, would it?

26 Q. Would you confine that to the operations
27 within Canada?

28 A. Not necessarily. I cannot see why one
29 should.



1 Q. So we would bring in, then -- and I
2 want to put this to you to see if your proposition
3 goes this far -- we would bring into play in the task
4 of fixing Canadian freight rates the ups and downs of
5 Canadian Pacific since we are dealing with Canadian
6 Pacific Railway air lines, Lima, its operations in
7 South America and across the Pacific. It seems to
8 consolidate it, its marketing operations on its products
9 in foreign markets; everything could go in?

10
11 A. No, I would not say it should, but if
12 what is going to make up the loss is profit somewhere
13 else, and still on that assumption -- I do not say that
14 should hold, but if it does then certainly you take all
15 the other operations into consideration as to somewhere
16 else you are going to make a profit.

17 Q. You put it this way, if railways are
18 to continue to be allowed to fix their rates in such a
19 way that some will be at a level in excess of total cost,
20 that is to say, they are going to make up their losses
21 on competitive movements by making a profit over and
22 above total cost on other movements. If this is to
23 continue then hand in hand with that should go the
24 proposition that all their earnings from all sources,
25 non-rail as well as rail, should be taken into account
26 in fixing freight rates. Is that right?

27 A. Yes. My point simply is, if you are going
28 to offset a loss on some movement by a profit somewhere
29 else, why restrict somewhere else only to rail movements,
30 let us have the lot.



1 Q. This would include -- I just want to be
2 specific about it, and I have before me the Canadian
3 Pacific annual report for 1958 which deals with Other
4 Income. I wonder, Mr. Sinclair, if you have another
5 copy which we can give the witness.
6

7 MR. SINCLAIR: I have. Is that the one I have
8 marked? He probably could not read my notes anyway.

9 MR. CUMMING: Q. At the bottom of page 9 ---

10 A. You may rest content, there are no notes
11 on page 10.

12 Q. You had better look at page 10.

13 A. No notes, only the headings underlined.

14 Q. You will note at the bottom of page 9
15 under the heading of "Other Income", according to the
16 Canadian Pacific annual report Other Income after
17 income taxes amounted to \$13.4 million, a decrease of
18 \$10 million from the previous year. What I wanted to
19 ask you, if you would be good enough to turn to the next
20 page you will see under the six headings the sources of
21 other income for the Canadian Pacific Railway: steamship
22 operations, operation of hotels, net earnings from com-
23 munication services, dividend income, net income from
24 petroleum rents, net income from interest, separately
25 operated properties and miscellaneous sources.

26 Now, do you say that all of these other sources
27 should be taken into account? If this general proposal
28 that we have been talking about were to be adopted would
29 you differentiate between any of them?

30 A. I would see no reason for leaving any out,



1 if we are going to put any in, put the lot in.

2 COMMISSIONER ANSCOMB: That hardly answers
3 the question -- if you are going to put any in you should
4 put in the lot. Are you saying the lot should be put in
5 or should not be put in?

6 THE WITNESS: I am saying if one is going to
7 allow losses to make this up then it should encompass
8 the lot. I do not advocate that principle, I advocate
9 the ceiling and the floor.

10 COMMISSIONER ANSCOMB: You are against using
11 the other revenue from the other assets to help freight
12 rates?

13 THE WITNESS: I am against it because I am
14 against the principle of making up losses somewhere by
15 profits somewhere else.

16 COMMISSIONER ANSCOMB: That is what I want
17 to know.

18 THE WITNESS: If you are going to make up
19 the losses somewhere else then these should be in.

20 MR. CUMMING: Q. But your submission is,
21 so that the point will be quite clear, that if the
22 railways are to continue -- let me put it this way,
23 if the rates are to be continued to be fixed on a basis
24 which does not include your proposition that the ceiling
25 is total cost, then you say these other things should
26 go in.

27 A. Yes.

28 Q. Mr. Chairman, I am going on to the ques-
29 tion of horizontal increases next.
30



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THE CHAIRMAN: Very well, we will adjourn
until two o'clock.

---Luncheon adjournment.

(Page 9081 follows)



1
2 ---On resuming at 2.00 p.m.

3 CROSS-EXAMINATION BY MR. CUMMING. (cont'd):
4

5 Q. I want to turn, if I can, Dr. Winch, to
6 page 11, paragraph 30, where you say:

7 "The method used to force western Canada, and the
8 prairies in particular, to subsidize competitive
9 rates has been the numerous horizontal increases in
10 recent years."

11 Then you go on:

12 "...when the final effect is considered, the result
13 is to place on producers and consumers in western
14 Canada a cumulative and inequitable burden."

15 I take it you would agree this problem of
16 horizontal increases will apply with equal force to all
17 long-haul shippers -- that is, that it is not confined
18 to the western Canadian producer and consumer, but it will
19 have a similar impact on those in the Maritimes?

20 A. It will apply wherever the horizontal
21 increases apply, yes.

22 Q. And the longer the haul the greater the
23 impact?

24 A. In relation both to the haul and the rate,
25 yes.

26 Q. Do you have any solution to suggest to the
27 Commission as to how rate increases might be handled
28 other than by horizontal percentage increases?

29 A. No, I have no objection to the system of
30 horizontal increases excepting when they go so far as to
raise rates above the ceiling we were talking about this



1
2 morning. It is the extent of the increases which has
3 raised the rates above that ceiling.

4 Q. I take it consistent with your proposition
5 that total costs should be the ceiling for any rate, that
6 that would be the ceiling on any horizontal percentage
7 increase?

8 A. Yes, and as the costs go up, horizontal
9 increases bring the rates up in relation to the movements
10 but not beyond them.

11 Q. But always subject to that?

12 A. Yes.

13 Q. In sub-paragraph 1 of paragraph 30 you deal
14 with the cost of movements north of the lakes --

15 "...which costs result from policies aimed at national
16 unity and should lightly be borne by the nation as a
17 whole."

18 If they are to be borne by the nation as a
19 whole, how is that cost to be carried?

20 A. Presumably by subsidy.

21 Q. That would be by a subsidy?

22 A. That is the only way the nation as a whole
23 can bear them.

24 Q. Are we to understand that it is your sub-
25 mission to this Commission that so far as this cost of
26 movement north of the lakes is concerned, that subsidy
27 should be sufficient to pay the total difference between
28 what the rates would be if the alternative American routes
29 and sources of supply were available and the cost of the
30 circuitous Canadian route?

A. That would be ideal from the standpoint of



1
2 the west, but whether in practice it is necessary to go
3 quite that far is a matter of individual cases.

4 Q. But your suggestion is that ideally the
5 subsidy should be co-extensive with that difference?

6 A. Yes.

7 Q. And then ideally if it were found that the
8 present Bridge subsidy were insufficient, I take it that
9 you would suggest that it be increased accordingly?

10 A. That would be one way of doing it, yes.

11 Q. To be consistent, would you go that far?

12 A. If necessary, yes.

13 Q. From an ideal point of view?

14 A. Yes, if necessary..

15 Q. At the top of page 12, dealing still with
16 this question of horizontal percentage increases, I have
17 just a question to clarify this matter. You say:

18 "The combination of high rates and long distances
19 means that a given percentage increase, which might
20 mean a few cents in eastern Canada, can mean a few
21 dollars in the west."

22 When you say a few cents as against a few
23 dollars, do you mean per unit of distance, or some other
24 unit of measurement?

25 A. No.

26 Q. Or are you talking in terms of absolute
27 freight charges?

28 A. Absolute per shipment.

29 THE CHAIRMAN: Before we leave that, Dr.
30 Winch, if costs go up for the railways, they must have
revenue?



1
2 THE WITNESS: Yes.

3 THE CHAIRMAN: And they have been suggesting
4 always the horizontal increase is an equitable method?

5 THE WITNESS: Yes.

6 THE CHAIRMAN: Now, your tendency is ceiling
7 plus floor plus subsidy?

8 THE WITNESS: Yes, logically that would apply.
9 Ceiling will, of course, rise when the costs go up, and
10 so will the floor.

11 MR. CUMMING: Q. The solution you have is
12 entirely cost-oriented, isn't it?

13 A. I would not say entirely, but it certainly
14 has got a certain leaning on costs as far as the ceiling
15 is concerned.

16 Q. And the exception from cost orientation
17 is the impact of competition?

18 A. I don't know that the impact of competition
19 is a diversion from cost orientation. The only diversion,
20 really, would be cases where it is considered that a
21 subsidy is desirable to encourage or assist one region
22 or one industry. They would be the exceptions.

23 Q. But do you not consider that there is an
24 exception from cost orientation in the making of competi-
25 tive rates?

26 A. From total cost, yes; but total cost fixes
27 our ceiling and direct cost fixes our floor. So, if the
28 costs fix the ceiling and the floor you can't say it is
29 a diversion.

30 Q. It may be an exception from railway costs
but not from transportation costs.



1
2 A. That would be one way of putting it.

3 Q. There are a couple of points on page 13 I
4 would like to bring up. In paragraph 33, having recited
5 some figures showing the impact of horizontal increases
6 on various segments of traffic on the previous page, you
7 say;

8 "These figures are inequitable enough, but this is
9 still not the whole story, for this extortion will
10 not be evenly applied to the class and commodity
11 rated traffic."

12 Do you mean "extortion" or "distortion"?

13 A. I mean "extortions".

14 Q. How is it extortion? That is a sinister-
15 sounding word?

16 A. It is a sinister-sounding business.

17 Q. How sinister do you intend it to be?

18 A. Insofar as your horizontal increase is
19 necessitated by a rise in costs, that applies to all
20 traffic. If the increase in costs is made up by an
21 increase in revenue derived by horizontal increases only
22 on part of the traffic, then one has derived from that
23 part an increase in the costs which apply to the whole.
24 To the extent one must have pushed the normal rates up
25 by a greater amount, then that would be attributable to
26 the traffic that went up. So, one is pushing beyond the
27 ceiling and extorting a profit to be used elsewhere.

28 Q. And you say that is more than a mere dis-
29 tortion? It is extortion?

30 A. I don't think we need heckle on terminology.
It is a distortion, and I would go so far as to call it



"extortion."

Q. Paragraph 34:

"When we make allowance for this we find that some three-quarters of the recent increase is paid by just over one-quarter of the traffic ..."

There again you are speaking in terms of the traffic contributing one-quarter of the revenue -- I take it that is the context?

A. No; one-quarter of the traffic contributing three-quarters of the revenue. That is where the extortion comes in.

Q. On the question of terminology again, in paragraph 36, after quoting in the previous paragraph from Mr. Knowle's evidence before the Railway Committee, you say:

"Thus we find that twice as much of the horizontal increase was paid by western Canada as by eastern Canada...."

Are you using "eastern Canada" there in the sense of the provinces of Ontario and Quebec or ...

A. Yes.

Q. ...to mean the Ontario-Quebec railway region?

A. Yes, that is a little confusing. It is essentially the central region which is quoted in the quotation from Mr. Knowles; that is what I mean by "eastern Canada": Ontario and Quebec 26.5 per cent.

Q. In paragraph 37 you say:

"It is high time that drastic provisions were made in the Canadian railway rate structure to remedy



1
2 "these inequities."

3 You speak of the trends in the economy and the importance
4 of the diversification, and at the last sentence in the
5 paragraph on page 14 you say:

6 "But diversification has been hampered in the past
7 by high freight rates, and northern development
8 threatened to be stillborn for the same reason."

9 It has been the railways' case before this Commission
10 that the Crow's Nest rates on the movement of grain to
11 export positions are unduly low, low to the point where
12 the railways say they are losing money on them. Do you
13 think, assuming that their contention is correct -- and
14 I am putting this to you hypothetically -- if the railways
15 are correct that those rates applicable to that grain move-
16 ment are, in fact, unduly low, has that had any effect on
17 the diversification that might otherwise have been
18 expected in the prairie regions?

19 A. Relatively, but not absolutely. If I may
20 explain that: Your assumed "unduly low" will encourage
21 the continuance of agriculture which otherwise would be
22 forced into decline, and to that extent the relationship
23 between agriculture and other industry would be affected.
24 But in terms of the absolute development of other
25 industry then, of course, the grain rates have no effect.
26 It is the rates on the other commodities which will
27 affect other developments.

28 Q. I see. So that if grain rates have
29 affected diversification, it is in a sort of a negative
30 way?

A. Well, in a relative way, that the relation



1
2 of agriculture to "other" will be affected, but the
3 absolute volume of the "other" will not.

4 Q. In paragraph 38 you speak of the anticipated
5 industrial development in the north, and the mineral
6 development and so on, and about two-thirds of the way down
7 the page you say:

8 "The produce of mineral developments in the north
9 will largely be used in the industrial region of
10 eastern Canada."

11 Could you clarify this and tell the Commission what
12 northern minerals to be developed will be used in eastern
13 Canada?

14 A. I am afraid I cannot give you a rigid answer
15 on that, since very few people -- myself not included --
16 know what minerals are available in the north or, when we
17 get them out, what we are going to do with them. But,
18 insofar as the development of the north will largely, I
19 suspect, be a case of extracting mineral resources, and
20 insofar as much of our producing and processing industry
21 is in eastern Canada, presumably a market for some of
22 these raw products will be in eastern Canada.

23 Q. Do you anticipate a volume to the United
24 States?

25 A. Oh,. quite possibly. Finding markets is a
26 problem still to be solved, but they won't be entirely
27 within northern Canada itself.

28 Q. And export to off-shore markets?

29 A. Quite possible.

30 Q. When you speak of mineral development, do
you include petroleum and natural gas -- I am talking



1
2 about that as well?

3 A. Yes, they would be minerals.

4 Q. In the next section of your brief, on page
5 15, you turn to deal with the problems of Saskatoon.
6 Have you any specific instances, any examples, of
7 industries which have not located in Saskatoon because
8 the freight rate structure was adverse -- that freight
9 rates were too high?
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15 (Page 9091 follows)
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1 A. One cannot quote a specific industry be-
2 cause this is extremely difficult. When you don't have
3 an industry, you haven't got it; when you ask for it,
4 you haven't got it. That is really what it comes down
5 to.

6 Q. Why I asked the question in that way was
7 that I was wondering if the Saskatoon Board of Trade
8 might know of any industries which had investigated
9 the possibility of locating in Saskatoon and then decided
10 against it. We see all across the country industries
11 shopping about, if I may put it that way, for locations
12 of new plants, and after investigating this area and
13 that they finally choose one. I was wondering if in
14 Saskatoon they had looked at Saskatoon or that general
15 area and had decided against it.

16 A. It is my understanding that certain
17 industries and firms have examined Saskatoon's potential
18 location, and one of the things they dislike most is
19 the high freight rates and some of these industries
20 haven't settled in Saskatoon. It is not the only factor,
21 but it is certainly one of the most important factors.

22 Q. You said one of the things they dislike
23 most. Rates and transport costs are one of many
24 factors?

25 A. They are one of many factors. Not many
26 factors that they have disliked a great deal, but per-
27 haps the outstanding disadvantage of Saskatoon is freight
28 rates.

29 Q. You say that is Saskatoon's outstanding
30



1 one, yes.

2 A. That is an outstanding one, yes.

3 Q. You say there are no specific instances
4 you can tell us about where a decline or failure of
5 an industry to locate in Saskatoon was as a direct result
6 of freight rates?

7 A. I can't quote you a specific case, no.

8 Q. In paragraph 42, page 16, you are talking
9 here about other alternate forms of transport, and you
10 say air transport is not a serious competitor in freight
11 movements as yet. May I ask you as an economist if
12 you expect air transport will become a serious competi-
13 tor for freight movements in the foreseeable future?

14 A. It depends what you mean by serious. It
15 is growing and it will probably continue to grow, but
16 how far it will grow to become a serious competitor is
17 another matter.

18 Q. What do you mean by "serious"?

19 A. That is the question. I am no crystal
20 gazer. How far air transport of freight will develop
21 and how far that development will have an impact on
22 rates charges on other forms of transport is an answer
23 one does not know.

24 Q. Would you care to make a prophecy?

25 A. I should not.

26 Q. Then you say Saskatoon has not yet develop-
27 ed to a sufficient degree to bring about any significant
28 freight rate reductions in the form of agreed charges,
29 and you speak about the limitations on trucking and your
30



1 trucking facilities in Saskatoon. How many trucking
2 organizations do you have offering for hire transport?

3 A. You mean in Saskatoon or between Saskatoon
4 and ---

5 Q. Between Saskatoon and other prairie points
6 or long-haul points?

7 A. There are trucking facilities, certainly.

8 Q. Serving Saskatoon?

9 A. Serving Saskatoon, yes.

10 Q. Can you tell the Commission what is
11 available there?

12 A. I couldn't give you a list of firms, but
13 I would say that truck service generally in and out of
14 Saskatoon is available. The problem is that they cannot
15 take full advantage and the rates reflect their costs.
16 The truck rates are higher than they would be under more
17 favourable highway conditions.

18 Q. What are the load limitations and how do
19 they apply?

20 A. That is a technical question. I haven't
21 the details with me.

22 MR. DOHERTY: I think perhaps we could get
23 that information and file it, Mr. Cumming.

24 MR. CUMMING: I think it may be of interest.

25 THE WITNESS: I could make a reply, but I may
26 be wrong. I can tell you that the weights are consider-
27 ably lower than in the neighbouring provinces of Alberta
28 and Manitoba.

29 Q. And your position would be that truck
30



1 transport would be able to operate better, more effec-
2 tively, with more attractive rates if it was not under
3 the limitations that were imposed?

4 A. That is true. If the limitations were
5 not there and there were more trucks, the truck rates
6 would come down.

7 Q. And not only would you have that addi-
8 tional truck transport available, you would be in a
9 position to expect from the railways more in the way of
10 competitive rates?

11 A. Not only expect but force them to grant
12 it.

13 COMMISSIONER ANSCOMB: That is because your
14 road system is not adequate for modern traffic, isn't
15 it?

16 THE WITNESS: That is my opinion, yes.

17 MR. CUMMING: Q. Do you think that this might
18 be to any extent resolved by representations from your
19 organization to the Saskatchewan highway authorities to
20 remedy this situation and thus bring about this overall
21 benefit to the province and Saskatoon in particula?

22 A. We can try. I realize that this is
23 a matter of provincial jurisdiction.

24 THE CHAIRMAN: You have tried it?

25 THE WITNESS: The City and the Board of Trade
26 to the best of my knowledge have not tried formally, but
27 there have been representations.

28 THE CHAIRMAN: The trucking people tried it?

29 THE WITNESS: Yes, and they were successful to
30



1 a certain extent last year in bringing them up, but not
2 as high as they wished.

3 MR. CUMMING: Q. It is a question of
4 which should come first. Maybe it is a question of
5 the chicken and the egg, but I will put it to you this
6 way: do you feel that you can fairly expect favourable
7 rates from the railways beforehand, or do you think that
8 the practical thing for you to do or perhaps the better
9 thing to do -- maybe just the practical thing -- would
10 be to bring about a situation in Saskatchewan where
11 competition can operate more effectively? My question
12 is: which comes first?
13

14 A. That is, of course, a matter of politics.
15 Within the framework of the present system the only way
16 to get reduction is to get the competition, and the only
17 way to get the competition is to get better highways.
18 What one is doing is building more highways in order to
19 get lowerrates. I see no reason why the rates
20 shouldn't come down in anticipation of that rather than
21 wait until the force is there.

22 Q. Would you put the provincial highway
23 authorities in the same position, rate-makingwise, as
24 the possible institution of water transport from the
25 east to the west coast? Is that the kind of thing?

26 A. I am sorry, I don't quite see the point of
27 the question.

28 Q. You say that the railways should bring
29 their rates down in anticipation of an improved highway
30 system which would increase the degree of truck



1 competition. Now, is that on the same footing as the
2 reduction of rates in order to avoid potential or to
3 meet potential competition from other forms of transport
4 in other fields?

5 A. Yes, it is analogous.

6 Q. Of course, there is this difference,
7 that you would have the additional benefit for other
8 purposes of the highway system?

9 A. Oh, we can do with the highways anyway.

10 Q. I want to turn over to page 17, dealing
11 with the question of grouping. In the middle of
12 paragraph 45 you say:

13 "We recommend that Regina, Saskatoon and the
14 other centres of Northern Saskatchewan be placed
15 in one group with equal rates both inbound and
16 outbound."
17

18 Now, firstly, you say "other centres". Could you tell
19 the Commission what other centres you have in mind there?

20 A. I have your quotation. I am looking for
21 one other part of the brief which deals with that. Yes,
22 we say:

23 "Further studies will be necessary to determine
24 the optimum arrangement of such groupings . . ."

25 In other words, in order to draw a boundary
26 for this group, whether North Battleford should be in
27 or out, would be a matter of, course, of a detailed study,
28 just where the optimum place to draw the line would be.
29 The reason I say this is that Saskatoon is on an equal
30 footing with Regina. By putting in "other centres" we



1 more or less leave open the door for other cities.

2 Q. You agree with the possibility that
3 there may not only be other cities but other groupings?

4 A. Yes, possibly in other parts of Canada.
5 I haven't studied it in other parts of Canada, but it is
6 quite possible.

7 Q. Who should conduct that study?

8 A. The same group who were going to conduct
9 the studies we had this morning.

10 Q. Either this Commission or the Board of
11 Transport Commissioners?

12 A. Or somebody to whom this Commission
13 delegates the task.

14 Q. The grouping should apply, you say, on
15 both inbound and outbound movements. Should they
16 apply to shipments to and from the Saskatchewan grouping
17 to and from the west coast and to and from central
18 Canada?

19 A. If one is going to apply the principle, I
20 think yes, in so far as the most important movements
21 at the moment are to and from eastern Canada. As to and
22 from the west, they can be on the same footing.

23 Q. And A and B grouping applies to movement
24 to and from western Canada, not the movement in the
25 eastern territory?

26 A. Is it to and from? I think it is just to.

27 Q. What I was wondering was whether or not
28 you wanted this grouping from Regina and Saskatoon to
29 go a step beyond that and apply to movements on either
30



1 side?

2 A. It wouldn't be getting a step beyond,
3 it would merely be applying the same precedent in both
4 directions.

5 Q. In any event, your suggestion is that it
6 should apply in both directions?

7 MR. SINCLAIR: To and from western Canada; I
8 have just checked. But, of course, as the Commission
9 has heard, they don't apply to the maritimes, for obvious
10 reasons.

11 THE WITNESS: My answer would be yes to and
12 from. But from Saskatoon's standpoint, the most im-
13 portant is to and from eastern Canada. From the
14 standpoint of Regina, both apply equally.

15 THE CHAIRMAN: But you endorse the principle
16 that the grouping should be established and mileage
17 discarded?

18 THE WITNESS: No, I haven't said that.

19 THE CHAIRMAN: Well, do you?

20 THE WITNESS: That is a matter of study, if
21 we are going to have a grouping. If I knew all the
22 answers I would be on the Commission. I think the point
23 is that if we have an A and B grouping in Ontario, if
24 that grouping has achieved its objectives, whatever
25 they are, and it certainly has resulted in equal com-
26 petition between the centres in that grouping, then
27 that same system could apply with great benefit to the
28 Saskatchewan centres.

29 THE CHAIRMAN: Then there would be a series
30



1 of groupings all over the country?

2 THE WITNESS: Yes, I grant that.

3 THE CHAIRMAN: The whole alphabet would be
4 exhausted?

5 THE WITNESS: Yes.

6 THE CHAIRMAN: Not A and B alone?

7 THE WITNESS: Yes.

8 THE CHAIRMAN: What violence would this do to
9 your concept of ceiling and floor? How consistent are
10 they?

11 THE WITNESS: I don't think they are neces-
12 sarily inconsistent in that instead of taking a ceiling
13 and floor from Saskatoon you would have a ceiling and
14 floor from a group.
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21 (Page 9101 follows)
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2 MR. CUMMING: Q. Although even with a grouping
3 there would be some transportation movements that would
4 be paying slightly more and some slightly less?

5 A. Possibly.

6 Q. That must necessarily be because a
7 grouping entails some averaging?

8 A. It might, yes.

9 Q. On paragraph 46, I have just a few questions
10 about these rates that you cite as examples. Item No.
11 1120, beet pulp -- these rates, as I understand it from
12 the context, are rates from Toronto to the destinations
there set out?

13 A. Yes.

14 Q. Can you tell us whether or not there is
15 any significant movement of beet pulp from Toronto to
16 ~~Edmonton~~, Calgary, Regina and Saskatoon?

17 A. Frankly, I do not know.

18 Q. That would be a paper rate?

19 A. It says: "Territory 10". It is not only
20 Toronto.

21 Q. From that territory?

22 A. Yes. Again, I do not know how far beet
23 pulp comes in from the east.

24 Q. Similarly, item 2080, at the top of page 18
25 -- could you tell us if there is any movement of charcoal
26 and wood?

27 A. I do not know how far there is a significant
28 movement of that but I can certainly say that there are
29 movements of some of those examples. There are certainly
30 movements of some of the examples I have noted. I



1
2 would not want to go into details on which are significant
3 and which are not, but the principle is there.

4 Q. Going over to page 21, Professor Winch,
5 this was touched on to some extent before -- on the third
6 line you say:

7 "Truck costs have no bearing on rail costs, and
8 there appears to be no equitable reason why better
9 highway services to Regina should secure such a
10 great advantage in rail rates when the trucks are
11 not used."

12 Once again, I suppose that this situation falls
13 in the same category as those competitive rates which
14 are set in the face of potential rather than actual com-
petition?

15 A. Yes, in the same category.

16 Q. So long as there is the potential of com-
17 petition, there is a reason why rates should be lowered,
18 despite the fact that truck costs and rail costs would
themselves be unrelated?

19 A. It is inequitable but unavoidable.

20 Q. If truck costs are lower, you say the rail
21 costs must meet it and there it is?

22 A. There it is, yes.

23 Q. And you do say, as I understand your
24 evidence, the philosophy of competitive rates is sound,
25 and I suppose you would agree, then, that the railways
26 cannot afford to disregard truck rates in ratemaking
practices?

27 A. The philosophy is sound that they cannot
28 afford to disregard it, but I would make some other
29
30



1
2 provisions that must be satisfied for any particular rate
3 to be justified.

4 Q. Just one small matter for clarification
5 under paragraph 51, on the question of 2-line haul. Are
6 there additional costs involved in the 2-line movements
7 such as switching and billing and matters of that sort,
8 or which would justify some increment in the rate over
9 and above what the rate would have been for a single
10 line haul?

11 A. Not to my knowledge, but I cannot be
12 categorical.

13 Q. Your basic position is that there is no
14 justification for the 2-line haul being higher than the
15 single line haul would be?

16 A. I know of no justification for it.

17 Q. I understand -- and I may be subject to cor-
18 rection on this -- that generally the railways are publish-
19 ing some single line rates. Do you know about that?

20 A. I did not know.

21 Q. We can check on that. I would ask you to turn
22 your attention to paragraph 65 on page 24. Here we are
23 talking again about agreed charges. You conclude by
24 saying -- and we discussed this to some extent this
25 morning:

26 "The basic principle of economics that all transport
27 movements should pay their full costs means that
28 extensive and indiscriminate subsidies are unsound."

29 Now, do we understand your position to be that,
30 while subsidies may be and are economically unsound,
is the only justification a political justification?



1
2 A. I do not say that all subsidies are neces-
3 sarily unsound. I say that extensive and indiscriminate
4 subsidies are unsound. My position is that there is an
5 assumption that subsidies are unsound, but that first
6 assumption is subject to exceptions, and those exceptions
7 would fall perhaps into two categories: The economic ones
8 -- the industry case is the classic one, where you wish
9 to develop a region and you subsidize it to get it
10 developed -- that exception is economically sound --
11 and of course, there are the straightforward political
12 ones. They are there -- no doubt about that.

13 Q. Let us take the question of the development
14 rates, the promotional subsidy. Would you be prepared to
15 go so far as to say that they would be economically sound
16 even if the transportation rates which were set for that
17 developmental purpose were not only below the total cost
18 but below the direct cost, below the basement that we
19 talked about this morning?

20 A. Provided there is the firm expectation that
21 within a reasonable period of time the traffic will so
22 develop as to recover the full costs, then as a temporary
23 encouragement to the development of traffic, yes, provided
24 you have expectation that the traffic will grow and
25 recover its full costs in a reasonable period of time.

26 Q. Would you go this far, that if a develop-
27 mental rate was set for this purpose, would you say it is
28 economically sound, at a rate below the basement rate
29 that we are talking about, and a firm expectation that
30 the traffic would develop? After the traffic develops,
could the losses sustained on the sub-basement rate



1
2 be recovered at a rate level somewhat over the direct
3 cost ceiling?

4 A. That might be possible.

5 Q. That would be an exception to the ceiling?

6 A. It might be, yes, in particular cases.

7 Q. That would be economically acceptable,
8 would it?

9 A. I cannot at the moment see any objection to
10 it.

11 Q. The rate above that ceiling should last
12 only until the losses during the development period
13 had been covered?

14 A. We are getting into details -- how long you
15 want to amortize an initial loss --

16 COMMISSIONER ANSCOMB: Do you think you could
17 find anybody in Saskatchewan who would be prepared to take
18 that off after it had reached that stage?

19 THE WITNESS: I did not say people would like
20 it.

21 COMMISSIONER ANSCOMB: I am just asking if you
22 could find anybody in Saskatchewan who would be willing
23 to take off that so-called subsidy after it had reached
24 the development stage?

25 THE WITNESS: You would probably meet opposition
26 at that time. In the face of practical politics, one
27 would meet opposition at that time, ~~that~~ is undoubtedly
28 true, but whatever one does one meets opposition.

29 MR. CUMMING: Q. Perhaps I may move ahead
30 to paragraph 74 on page 27, while we are on this point.
There you speak about the growth of highway transport



1
2 which has been a major cause of prosperity in Canada in
3 recent years, and the prospect of a second trans-Canada
4 highway through Saskatoon, construction of which is only
5 a matter of time. When that comes along, trucking will
6 offer the low-cost transport needed for industrial develop-
7 ment. Then the railways will be trying to get it back by
8 agreed charges. Then you say:

9 "How much better for the railways to lower their
10 rates now and encourage the growth of industry
11 centred around rail transport, rather than wait
12 for the highways to take the initiative and then
13 try to woo the shipper to the rails."

14 What I want to ask you, Doctor, is this.

15 In this proposal, do you see any danger that this may be
16 self-defeating for the railways, for this reason? If
17 they do what you suggest, that is, lower the rates for
18 developing purposes, when that development occurs and,
19 concomitant with that, competitive forms of transport,
20 how are the railways going to get back up to the proper
21 levels having in mind that they have set rates below
22 cost for development purposes, and then presumably, when
23 competition develops, as it will inevitably with the
24 desired general development, the railways will then be
25 faced with that competition?

26 A. I think there is one mistake in the question.
27 I have not said to peg rates below cost. I said to peg
28 rates lower than their present level. This is a problem
29 of coming back down to the ceiling.

30 Q. Do you limit it, then? If it were necessary,
would you draw the line? Do you say this proposal is



1
2 confined to reducing rates from existing levels to a floor
3 of total cost for this purpose?

4 A. Not necessarily that that is the limit.

5 The exception would be -- and this exception may well apply
6 extensively -- a case in which the railways in their wis-
7 dom, looking forward to potential growth, would adopt the
8 attitude that with present volumes of traffic, average cost
9 is high, and so our ceiling is high, but with more traffic
10 on the line the overhead costs are spread over more
11 traffic and you would have a lower rate. If one establishes
12 that lower rate now when there is a present volume of
13 traffic such that that would be below the total cost,
14 when the volume expands with the expansion of industry
15 there would be more traffic over which to spread the
16 overhead.

17 Q. Subject to the erosion that it may sustain
18 with developing competition?

19 A. Subject to that, yes, but if the railway
20 really develops an industry using rail transport, with
21 a high volume, as the industry develops the extent of
22 highway competition may not be great.

23 THE CHAIRMAN: You are content to leave so much
24 to this Commission that I am curious to know your view,
25 sir. When does a subsidy become extensive? At what
26 point does a subsidy become indiscriminate?

27 THE WITNESS: At such time as it is not
28 justified or is not properly administered.

29 COMMISSIONER GOBEIL: It could be a one hundred
30 per cent subsidy and if it is justified it is not extensive?

THE WITNESS: No, but I cannot think of a case



1
2 where a one hundred per cent subsidy would be justified.

3 COMMISSIONER GOBEIL: But it would not be ex-
4 tensive if it is justified?

5 THE WITNESS: Not if it is justified and
6 properly administered.

7 MR. CUMMING: Q. Are there any criteria by
8 which this can be judged, this question of the extensive-
9 ness and the indiscriminateness, if I may put it that way,
10 of subsidies?

11 A. I cannot tell you what the criteria are,
12 but I can tell you where to look for them. We were dis-
13 cussing this ~~morning~~ when subsidies were justified because
14 it was in the national interest. The criteria for the
15 subsidies would be the same as the criteria for when it
16 is in the national interest, when you consider something
17 that could not cover its costs. It would be the same
18 criteria.

19 THE CHAIRMAN: Our trouble is that we cannot
20 talk riddles here.

21 THE WITNESS: I see the problem, sir.

22 MR. CUMMINGS: Q. But you have told the
23 Commission the place to look for these criteria. The
24 criteria used at the time the subsidy was established.

25 A. No, the criteria obtaining ~~at the~~ time --
26 by what criteria do you judge the national interest in
27 such things? That is a political problem.

28
29
30 (Page 9111 follows)



1
2 Q. And the criteria can, of course, change
3 over time?

4 A. Oh, yes.

5 Q. Going over to paragraph 73 on page 26
6 I want to ask you this: you are dealing here with the
7 seaway development and the port problem that is connected
8 with it. You say in the fifth line from the bottom of
9 the page:

10 "If Canada is to benefit fully from this
11 project it is vital that the ports of Port
12 Arthur and Fort William be developed at least
13 to keep pace with the expansion of Duluth."
14 Do you have any views as to whose responsibility the
15 development of the ports of Port Arthur and Fort William
16 is?

17 A. I have no views on whose responsibility it
18 is.

19 Q. Now, do you think it should be done by
20 the national government? Is it something -- or any
21 government, or would you prefer to see it done by the
22 railways, perhaps, or should it be done privately by
23 local people in Port Arthur and Fort William? How is
24 this objective of port development in order that Canada
25 may benefit fully from the seaway project to be
26 achieved?

27 A. Well, if the private development takes
28 place and is adequate, if the railways encourage develop-
29 ment which is adequate, then everything presumably is
30 fine. If not, whether the government considers it --



1 that is, either local, provincial or federal government
2 consider it so desirable that it is worth intervening,
3 presumably they should intervene. It is a problem on
4 which one cannot say much.

5 Q. The task facing the Commission is to
6 make some recommendations and we were wondering if you
7 had any views as to what the Commission should recommend
8 in this connection.

9 A. On this point I can be of very little
10 help, I am afraid.

11 Q. In paragraph 75 you refer to development
12 in the containerization and piggy-back operations and
13 you recommend as a first step a consistent and equitable
14 piggy-back rate as an integral part of the railway
15 station. Is piggy-back service available in Saskatoon?

16 A. I think so but I am not sure. The rail-
17 ways could probably tell us.

18 Q. Well, now, are piggy-back rates as they
19 stand at the present time inconsistent and inequitable?

20 A. I have not made an analysis of that, I
21 don't know.

22 Q. So that if the piggy-back rates that are
23 there at the present time are consistent and equitable
24 then that first step has been taken?

25 A. If they are consistent and equitable and
26 readily available within the rate structure, yes, that
27 step has been taken.

28 Q. And readily available. I just have a
29 couple more points. On page 28, paragraph 8, you say:



1 "High rates in this region , . ."
2 meaning northern Saskatchewan?

3 A. Yes.

4 Q. " . . . are hampering industrial
5 development, and the development of northern
6 Canada as a whole.

7 I take it that that situation would not be peculiar
8 to northern Saskatchewan, that it would apply, and you
9 would make the same recommendation that you have made
10 in your brief for northern Ontario and northern Manitoba
11 and northern Quebec?

12 A. Yes. When I say northern Quebec I have
13 not examined any other region, but presumably much the
14 same would apply.

15 Q. We are talking, of course, about the
16 development of northern Canada as a whole?

17 A. Yes.

18 Q. And you do not confine the solutions or
19 the importance of northern development to northern
20 Saskatchewan?

21 A. No, I mean those regions which are at
22 present not as fully developed as it appears it is
23 economically sound to develop them in the near future.

24 Q. One last point I want to deal with: on
25 the next page, the last sentence in the paragraph at
26 the top of the page you say:

27 "Under no circumstances should government
28 subsidies be available to enable the railways
29 to compete at a loss with other forms of
30



1 transport for those movements where the alter-
2 native carrier is more economic."

3 Now, that is the objective that should be achieved
4 and the safeguard that should be imposed in your view
5 on any subsidy to the railways?

6 A. Yes, that is what I meant this morning
7 when we were talking about careful administration of
8 any subsidy which is not being used in this way is
9 most undesirable.

10 Q. Well, with that objective in mind have
11 you any suggestions to offer to the Commission as to
12 what form the subsidy might take, how it should be
13 administered in order to achieve that objective?

14 A. It must obviously be administered by some
15 regulatory body, presumably the Board of Transport
16 Commissioners, for want of a better one at the present
17 time. As far as levels and such like are concerned,
18 the subsidy is only available when it can be shown that
19 the movement moving at a loss is in the national interest.
20 Now, that has to be shown that it is so essential for
21 the national interest that the government operates by
22 rail, and it would be my opinion that where there is a
23 lower-cost medium of transport available it is not in
24 the national interest to continue to move by rail, but
25 I know there is not unanimous agreement on that.

26 Q. On the question of mechanics, if such subsidies
27 are necessary in the national interest for the movement
28 of particular goods or products, do you feel that they
29 should be paid to the carrier or should they be paid to
30



1 the shipper, or does it make any difference?

2 A. It doesn't make any difference to whom
3 you actually pay it: either you pay it to the shipper and
4 he pays it back to the railway or you cut his rate and
5 pay it to the railway directly. It is a matter of
6 technique and I do not think it makes any difference
7 whom you make it payable to.

8 Q. But the principal criteria, the national
9 interest and the establishment, presumably to the
10 conviction of the regulatory tribunal such as the Board
11 of Transport Commissioners, that the carrier to whom the
12 subsidy is to be paid must be the low-cost carrier?

13 A. No, the low-cost carrier would not need
14 any subsidy.

15 Q. Even if the movement could not afford
16 those costs?

17 A. Well, then, it would not move. I am
18 sorry, I see your point, and it is a different point.
19 We would have a movement that cannot meet the cost of
20 the lowest cost of transport. I thought you were speak-
21 ing of the competitive element -- yes, there the subsidy
22 should be either to the lowest cost form of transport
23 or to the shipper and leaving to him the choice of
24 transport in which case he could use the lowest-cost
25 transport, from the national standpoint, to use the lowest
26 cost of transport that is available.

27 Q. You say as your first criterion that
28 such a subsidy must be in the national interest. Would
29 you go along with the idea that there may be transportation
30



1 services providing local services which should be
2 subsidized locally in the local interest?

3 A. It is a matter for the local government
4 to determine, if the local government decides the ser-
5 vice is in the interest of the people in that locality,
6 yes, the same principle on a lower scale.

7 Q. And the same principle would apply?

8 A. Yes.

9 Q. Thank you, Dr. Winch.

10 Mr. Chairman, Mr. Doherty mentioned to me
11 there were two points that I had raised, amendments to
12 the Transport Act and the Railway Act and so on, and also
13 the question of the figures which are given in paragraph
14 16. I understand from Mr. Doherty that he and Dr.
15 Winch did not have an opportunity to deal with the
16 matter as they wanted to over lunch and I was going to
17 suggest that may be dealt with tomorrow morning.

18 Apart from that I have no more questions.

19 MR. DOHERTY: We can do that for tomorrow
20 morning, Mr. Chairman.

21 THE CHAIRMAN: Mr. Alley, you are next. I
22 think perhaps we will take our recess now.

23 ---Short recess.
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CROSS-EXAMINATION BY MR. ALLEY:

Q. Dr. Winch, your brief was presented on behalf of the city of Saskatoon and the Saskatoon Board of Trade?

A. Yes.

Q. Can you tell me what the products of the city of Saskatoon are?

A. The products of the city?

Q. What is produced from the city? What do you market -- manufacture and sell, if you like? What is your industry?

A. This is a difficult question with which I am not fully familiar. We have a number of industries in Saskatoon: We have a fibreboard industry; there is a meat packing plant. But, frankly, if -- I could get those details for you, if not from the Board of Trade -- I would not like to give you a list of the most important industries in Saskatoon.

Q. Can you tell me what products you are seeking to obtain? Your brief is presented in aid of the development of Saskatoon?

A. Yes.

Q. What products do you seek to develop?

A. We had a steel plant -- I think it was Dominion Bridge -- which finally settled in Regina -- almost came to Saskatoon. But, I believe we would welcome a steel plant, in fact, any industries of that type which are going to create employment and bring wealth, and particularly those industries which will be connected with using



1
2 the resources which at present lie north of us.

3 Q. What are those resources?

4 A. That, again, sir, is a matter of surveys
5 which, I gather, are still being undertaken. The question
6 of northern development is a rather open one at the
7 moment.

8 Q. Do I take it that, generally, you are fishing
9 in the dark? What you say is that the present railway
10 rate structure is such that it mitigates against the
11 city of Saskatoon, but what it mitigates against, pre-
cisely you do not know?

12 A. It mitigates against settlement of new
13 productive plants, but as regards what particular type of
14 productive plants would come, I can't give precise answers,
15 no.

16 Q. So you are not seeking to develop any partic-
17 ular industry or any particular series of industries?

18 A. I am not. Whether the Board or the City
19 have any policy on that, I don't know.

20 Q. But you are speaking for the Board and the
21 City?

22 A. Only insofar as they have instructed me, and
23 I have received no instructions on this. I can't answer
24 their policy on that.

25 Q. I am dealing generally with some answers
26 you made to Mr. Cumming in connection with your introduc-
27 tion, and you gave the impression that you were advocating
28 a very rigid rate structure -- that is, one which, once
29 it had been established within your ceilings, should not
30 be changed?



1
2 A. A structure which we hope would continue.
3 If you establish a structure on a firm foundation, it
4 should continue, though, of course, individual rates within
5 that structure would be adjusted as the conditions changed.

6 Q. I want to get this clear: You indicated that
7 no rate should be fixed, and that is any rate within the
8 whole structure, which obtained less than its whole cost --
9 that is, it would bear its whole proportion of the cost
10 of the operation of the railway?

11 A. I didn't say that. I said none above total
12 cost and none above direct cost. I didn't say none below
13 total cost.

14 Q. What you are advocating, then, is a rate
15 structure which on examination of all the rates bears the
16 whole cost of the operation of the railway?

17 A. I am sorry, I don't follow that.

18 Q. A rate structure which upon examination of
19 it as a whole carries the whole cost of the operation of
20 the railway -- without subsidy, in other words?

21 A. Not necessarily, no.

22 Q. Do you accept the proposition which we have
23 been accepting for examination of rates before the Board
24 of Transport Commissioners, that the C. P. R. is the
25 railway upon whose needs rate increases are granted?

26 A. The C. P. R. and not the C. N.?

27 Q. Not the C. N.

28 A. I don't see why.

29 Q. It is upon examination of the C. P. R.'s
30 needs that we determine whether or not rates should be
granted. Do you accept that as a principle?



1
2 A. Not unless you tell me why you do it. I
3 can't see the logic of it at the moment.

4 Q. There is no point in my telling you if you
5 didn't use it as a basis.

6 MR. SINCLAIR: Go ahead and tell him -- because
7 it results in lower rates.

8 MR. ALLEY: Q. That is not a basis upon which
9 you approached the problem?

10 A. No, I haven't singled out C. P. R. from
11 C. N. I like to treat them equally.

12 Q. Another general question: You use the word
13 "equity" repeatedly through your brief: Do you use that
14 in the sense of being fair or in the sense of being proper?

15 A. Are you implying that fairness is improper?

16 Q. Unfairness may be improper.

17 A. Well, fairness and properness are synonymous.

18 Q. So, you use them in the same way?

19 A. Yes.

20 Q. What do you consider a regional difficulty
21 to be? You use that expression in the third last line
22 of paragraph 1?

23 A. Surely, sir, you don't want a list of the
24 regional difficulties of Canada?

25 Q. No, but give me what you regard as a typical
26 example of it?

27 A. Well, the circumstances which led to the
28 Maritimes Freight Rates Act were a regional difficulty;
29 there were difficulties in the region.

30 Q. Yes, and how would you adjust such a regional
difficulty to fit a national policy?



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A. That is a very difficult task, and that is the whole problem the Commission are faced with.

Q. But you do agree that the national policy must bend to fit a regional difficulty?

A. Yes, it must take an over-all view and bring the regional difficulties into one comprehensive policy.

Q. And if the regional difficulty cannot be made to fit the national policy, then the national policy must bend to fit the regional difficulty?

A. If regional difficulties don't fit the national policy, then the national policy is not a good one.

Q. Are you answering my question in reverse?

A. I don't think so.

Q. If you can answer my question in terms, it does make the transcript and the argument much easier to read. The national policy must bend to fit the regional difficulty?

A. I would not say "bend". I would say the national policy must be established so as to encompass the regional difficulties.

Q. Right, thank you. Page 4, paragraph 9, you adopt a quotation from Dr. Innis, and the last couple of words are "paralyzing effects": Did you give any consideration to what paralyzing effects Dr. Innis intended, or had you in your mind paralyzing effects of your own?

A. I had in mind that the phrase of Dr. Innis was appropriate to current conditions. What he actually had in mind at the time, I don't know.

Q. What do you consider was meant and what did



1
2 you ~~intend~~ to indicate by the use of ~~the~~ term "paralyzing
3 effects"?

4 A. Later on I have mentioned that northern
5 development might be stillborn. Might I say that still-
6 birth may be the result of paralysis.

7 Q. Do you say that the present freight rates
8 policy is such that northern development is hindered?

9 A. Definitely.

10 Q. It has not changed, has it?

11 A. It is definitely hindered by the present
12 policy, yes.

13 Q. Do you say the policy should change to
14 develop northern resources?

15 A. Change so as to encourage their development,
16 yes.

17 Q. So that when you refer to paralyzing effects
18 there, it is the northern territory that you are referring
19 to?

20 A. Certainly, that is one example of the
21 paralyzing effects.

22 Q. Is that what you had in your mind?

23 A. Yes, that is one of the things I had in mind.

24 Q. Well, what else did you have in mind?

25 A. Well, particularly, of course, -- and one
26 is essentially parochial in this brief -- the slowness of
27 the development of Saskatoon in recent years in relation
28 to what it would have been with a more equitable freight
29 rate structure. I don't know whether you would call it
30 paralysis, but it is a slowing down of development which
otherwise would take place at a faster rate. If one
includes Saskatoon as part of this northern region, then
you have got it complete.



1 Q. It was the northern region and Saskatoon?

2 A. The northern region and Saskatoon.

3 Q. That was including ---

4 A. Yes, and possibly including other parts of
5 the country, but we are not concerned so much with that
6 in this brief.

7 Q. You didn't have those other parts of the
8 country in mind?

9 A. We had in mind that what we have said
10 about Saskatoon might well apply to others.

11 Q. Did you not have in your mind at the time
12 you were writing this paragraph any other part of the
13 country?

14 A. Not any other specific part, but one did
15 have in mind that there might be other parts of the
16 country in the same situation.

17 Q. You just happened to cover it when you
18 were writing this?

19 A. Yes.

20 Q. On page 4, paragraph 10, you referred to
21 long hauls through barren country. Now, did you, when
22 you referred to barren country there -- it is about the
23 fifth line from the bottom -- were you considering that
24 area on the line of the Canadian Pacific between Fort
25 William and, let us say, Sudbury?

26 A. Between Fort William and Sudbury?

27 Q. That is the line across the top of Lake
28 Superior.

29 A. Yes, that would be.
30



1 Q. And did you give any consideration to
2 the amount of traffic which originated in that area?

3 A. My understanding is that it is small.

4 Q. Well, did you examine it or did you simply
5 take someone's statement that it was small?

6 A. I did not examine it myself, no.

7 Q. On page 5, paragraph 11, fourth line from
8 the bottom, you use the expression "but we are now called
9 upon to subsidize their railways too." Does the word
10 "we" include shippers of grain?

11 A. No, it does not.

12 Q. And does that embrace ---

13 A. Just one moment. That would not include
14 shippers of grain as shippers of grain. It might include
15 farmers as the purchasers of farming equipment, but not
16 in their capacity as shippers of grain, no.

17 Q. Do you accept the fact that when you used
18 the word "we" you were not embracing persons in the
19 Province of Saskatchewan?

20 A. Persons in the City of Saskatoon. This
21 is a Saskatoon brief.

22 Q. It is only Saskatoon you are talking
23 about?

24 A. Yes.

25 Q. I am instructed that you have three flour
26 mills there who have grain rates?

27 A. Take the city as a whole. If you like
28 to take the 80,000 people as a whole, you might find
29 exceptions.
30



1 Q. Then you discounted the flour house?

2 A. I did not, but on reconsideration one
3 might have to.

4 Q. In using that expression as you used it
5 one might have to exclude the flour mills who are re-
6 ceiving the benefit of grain rates?

7 A. Yes. It was a general statement.

8 Q. Page 5, paragraph 12, you were referring
9 to water transport. Now, what weight did you give, or
10 did you give any weight, to the fact that substantial
11 movements of grain went out through the lakes from
12 prairie provinces, or are you ~~against~~ that, limiting the
13 matter solely to the City of Saskatoon, Saskatoon gets
14 no benefit from grain shipments through the Great Lakes?

15 A. I am not limiting the matter solely to
16 Saskatoon, although that is the area we were specifically
17 concerned with. This is a Saskatoon base.

18 Q. I take it you were referring generally to
19 western Canada?

20 A. Yes, generally, but with particular
21 reference to Saskatoon. Nor have I said that Saskatoon
22 or Saskatchewan is entirely excluded from benefits from
23 the waterways.

24 Q. All I want to know is what benefits you
25 gave in making that statement to the amount of grain
26 which moves from Fort William-Port Arthur through the
27 Great Lakes?

28 A. I didn't really consider it that way.

29 Q. And you didn't, of course, then consider
30



1 the total tons which move through the Great Lakes in
2 any one particular year?

3 A. I didn't itemize the data on that, no.

4 Q. On page 7, paragraph 17, you were discus-
5 sing there the disparity created by competitive rates
6 and agreed charges. Now, if we add to the competitive
7 rates and agreed charges a compulsory agreed charge, the
8 Crow's Nest rates, since it is a statutory rate, did
9 you know that approximately 81 per cent of the traffic
10 which originated from Saskatoon in 1958 moved on
11 either an agreed charge, a competitive rate or a
12 statutory rate?

13 A. No, I did not know that. That is the
14 answer to your question.

15 THE CHAIRMAN: The source of that is?

16 MR. ALLEY: Waybill Analysis.

17 Q. Now, if you look at paragraph 20 on
18 page 8, you refer to one of the factors, that is the
19 competing carrier. But do you not also need to con-
20 sider a competing market?

21 A. I don't at the moment see why.

22 Q. Let us go back to your paragraph 17 ---

23 A. Do you mean competing market as a source
24 of supply?

25 Q. As a source of supply. Let me give you
26 a concrete example. You use in your paragraph 17 a
27 reference to coil steel?

28 A. Yes.

29 Q. I think called skelp sometimes, and you
30



1 made particular reference to the British Columbia rate.
2 Now, the British Columbia rate, I am advised, is \$19 per
3 ton. The same material can be and has been laid down
4 in British Columbia from another market source at \$15.60
5 per ton?

6 A. This is the rate or the price?

7 Q. This is the rate that the material is
8 carried for.

9 A. From where?

10 Q. From England.

11 A. It would be the shipping rate from England?

12 Q. Yes. And, in fact, in the last year
13 8,000 tons of coil steel were purchased from England and
14 landed at \$15.60 per ton. So in considering the position
15 you take in paragraph 20, must you not also consider the
16 possibility that the railway will lose its custom from
17 other market sources?

18 A. This is more a question of negative
19 tariff than freight rates. What you are suggesting is
20 because an English supplier can land his skelp in
21 British Columbia, after paying full cost of transport,
22 at a price lower than the price which a Canadian pro-
23 ducer can provide it in British Columbia after paying
24 full cost of transport, then in order to protect the
25 Canadian producer, one does not pay a tariff.

26 MR. ALLEY: Mr. Chairman, I asked him a
27 question and he said he couldn't understand it, so I cited
28 this hypothetical example.

29 THE WITNESS: Was that hypothetical, sir?
30



1 Q. Let us take it as hypothetical for the
2 purposes of my question. Is not the railway problem
3 just the one that you referred to in paragraph 20, one
4 having to consider not only a competitive carrier but
5 also a competitive market, because it will lose the
6 freight just as surely as if it can be landed from
7 some other market at less cost?

8 A. I still do not think that this is a matter
9 entirely of railway consideration.

10 Q. Let us keep ourselves down to the current
11 situation. You are presupposing that a tariff barrier
12 could be erected, but the railway has not got a tariff
13 barrier?

14 A. If the Canadian supplier has to find a
15 market, the delivered price of the Canadian goods must
16 come down. Whether it comes down by a lower price
17 or lower freight rate, then the railway might play its
18 part, but it certainly has not the sole responsibility
19 of bringing down the rate.

20 Q. We get to the point that the railway must
21 take into consideration not only a competitive ---

22 A. What it takes into account is the elasticity
23 of its service, and it takes into account other factors,
24 such as competing modes of transport and other things.

25 Q. In the last line you said: "... it is
26 our contention that in many cases these conditions are
27 not met." In how many cases?

28 A. I can't give you a number, sir, without
29 analysis.
30



1 Q. Did you count them or did you make that
2 statement without considering how many there were?

3 A. Without considering how many, but on the
4 certain suspicion that there might be a significant
5 number to warrant an examination.

6 Q. Did you find any one case?

7 A. No, for the simple reason that one cannot
8 prove any particular case without the data, which we
9 haven't got. That is why we need an examination.
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2 Q. In paragraph 21, you use the same expression:
3 "It is our suspicion that many do not."

4 Did any particular case arouse your suspicion?

5 A. No particular case, no. If I had evidence
6 of a particular case, this would not be a suspicion.
7 This would be a statement of fact.

8 Q. So again there was no particular point and
9 no particular case and no particular rate that you had
10 in mind when you made the statement?

11 A. No, not one particular rate.

12 Q. In paragraph 22 on page 8, the first two
13 lines, you use the expression:

14 "In the second place, the rate must be at that level
15 which maximizes the return over direct costs from
16 the group of movements to which it applies."

17 First, in your view, should any difference in
18 the rates be given to interprovincial trade, or the
19 encouragement of interprovincial trade, as against intra-
20 provincial trade?

21 A. I do not see any reason why a provincial
22 boundary is significant in this. No.

23 Q. You do not think that in maximizing you
24 need to give any consideration to whether there should
25 be an increase in trade moving within the province as
26 against an increase in traffic moving from province to
27 province?

28 A. I do not think our railway rate structure
29 is concerned about where the provincial boundaries are.
30 I do not see the relevance of it.

Q. You use the expression at about the fifth



1
2 line:

3 "Probably too low".

4 You were relating it to the transcontinental rates to
5 Vancouver?

6 A. Yes.

7 Q. Did you use that expression in relation
8 to rail costs or in relation to your earlier expression,
9 the maximizing of the return?

10 A. In relation to maximizing the return.

11 Q. You had no reference to whether or not the
12 rate in fact met more than its direct costs?

13 A. Not without an analysis of the direct costs.
14 I had no data to form an opinion.

15 Q. You did not consider it?

16 A. I considered it, but there was no data and
17 I could not reach an opinion.

18 Q. Now, go back to the example that you use
19 in paragraph 17 again. There are two competitive factors.
20 There are agreed charges and competitive rates. What
21 weight do you suggest should be given by the rate-making
22 body to the possibility that a consumer can turn to
23 another market in considering whether or not an agreed
24 charge should be established?

25 A. It is one of the considerations.

26 Q. Is it also one of the considerations for
27 competitive rates?

28 A. Yes, a consideration of competitive rates
29 is elasticity of demand -- in other words, whether by
30 reducing the rate you can get so much more traffic than at
a higher rate. Why you get the more traffic, whether it



1
2 is because you make the industry more profitable, whether
3 it is because somebody else buys it, this is all information
4 that might affect the elasticity of demand. This is the
5 net effect that you take into account.

6 Q. When you say "elasticity of demand" you
7 mean elasticity of demand for the services of the partic-
8 ular carrier?

9 A. Yes.

10 Q. And included in that, if an American rail
11 rate is available, you would include that in one of the
12 factors in your elasticity?

13 A. It might be a competing carrier, yes.

14 Q. Now, you have been considering some of the
15 problems of freight traffic. I wonder whether you have
16 considered this. On the Canadian National Railway lines
17 in Saskatchewan there are, according to my instructions,
18 there are approximately 1,817,000 gross ton miles per
19 mile of track, as against 4,329,000 gross ton miles in
20 British Columbia. So there is a greater utilization of
21 traffic in British Columbia than there is in Saskatchewan.

22 THE CHAIRMAN: What is the source of that?

23 MR. ALLEY: The Canadian National Railways
24 publication.

25 MR. GUEST: This information was given in evidence
26 in Vancouver in connection with the provincial brief.

27 MR. ALLEY: Q. Would you accept the suggestion
28 that the freight rates over those Saskatchewan lines
29 should be increased to compensate for the higher costs
30 involved?

A. The answers to your two questions are:



1
2 "No, I did not", and "No, I would not". I might add that,
3 when I say that the rates in Saskatchewan should not be
4 increased to take account of that, the reason is because
5 my own suspicion is that they are already quite high
6 enough. If your question is whether they should be higher,
7 then the answer is yes.

8 Q. The rates in Saskatchewan should be higher?

9 A. If you have a difference in density, which
10 difference does affect costs, and assuming that there is
11 a difference in costs because of density, then the ceiling
12 on rates would be different because the ceiling reflects the
13 total cost.

14 Q. You agree that the overhead cost would
15 decrease in proportion to the amount carried?

16 A. I do not agree that it is proportional, but
17 it does decrease, to a certain extent and up to a certain
18 point.

19 Q. I am not going to argue over the percentage
20 per dollar. All I wanted was that the more freight you carry
21 over a mile of track, the less the overhead is?

22 A. Up to a certain point, yes. There is a
23 limit to that.

24 Q. In paragraph 23 on page 9 you say on the
25 third line from the bottom of the paragraph that this
26 solution is manifestly inequitable. What I want to be
27 sure of is what is the inequitable solution? You say:

28 "The answer at present is regions such as Saskatoon
29 which do not have the benefit of competition, but
30 this solution is manifestly inequitable."

A. This is precisely the situation we were



1
2 discussing this morning, where the rates in one region
3 or on some movements have been increased so as to yield
4 a profit which will make up the losses on other rates.
5 It is precisely that situation which I regard as inequitable.

6 Q. Do you know of any case where the rates in
7 one area have been increased because of a decrease of the
8 rates in another area?

9 A. Yes, the horizontal increases. One has
10 increases in rates as a result of the extension of agreed
11 charges and competitive rates, and the horizontal increase
12 applies predominantly to a part of the traffic, which
13 means that the rates are going up on that to meet the
14 decrease on the other.

15 Q. As a result of the incidence of the horizon-
16 tal increase, certain portions of traffic that are governed
17 by other competitive rates, or agreed charges without an
18 escalator clause, cannot be increased?

19 A. Yes.

20 Q. You are not saying that the railways in-
21 crease a particular rate or rates because they decreased
22 another? What you are saying is that as a result of
23 the horizontal increase, a rate which otherwise might
24 have been increased was not increased?

25 A. I am also saying the need for the horizontal
26 increase was the reduction in revenues in part caused by
27 the extension of the competitive rates. What happens
28 is that you put some rates down by competitive rates and
29 agreed charges, and eventually you are short of revenue
30 and a horizontal increase puts some rates up. You put
some down and some up.



1
2 Q. How do you propose to control the compet-
3 ition which drives down the competitive rate?

4 A. I do not.

5 Q. How do you propose to stop the driving down
6 of the competitive rates?

7 A. Only to make sure that it satisfies the
8 criteria I have laid down in the brief.

9 Q. How would you do that?

10 A. By rate regulation..

11 COMMISSIONER ANSCOMB: By rate regulation?

12 THE WITNESS: Yes.

13 MR. ALLEY: Q. That brings me back to the
14 question we started with at the beginning. How do you
15 propose that the rate regulation will control the com-
16 petition?

17 A. It will not control the competition.

18 Q. So what will happen there?

19 A. What will happen there is that you will
20 get the competition, and you will get the competitive
21 rate. The competitive rate will have to satisfy the
22 criteria laid down.

23 Q. If under the rules you lay down the com-
24 petitive rate cannot go below a certain figure, then the
25 traffic will be lost to the railway?

26 A. Yes.

27 Q. And that is the only control you would
28 have?

29 A. Yes, the competitive rate to keep the
30 traffic would have to be so low -- if it were not low
enough the railway would lose the traffic, and it would



1
2 be better off to lose it.

3 Q. In your thinking, again, the example used
4 in your paragraph 17 -- if the railway does not come down
5 to meet the skelp rate, it will simply lose the skelp
6 traffic?

7 A. Assuming that is true. Assuming you are
8 right, you have a typical case of a competitive rate, and
9 you will meet the criteria.

10 Q. And the skelp will go to ocean freight?

11 A. Yes.

12 Q. In your paragraph 24, you seem to accept
13 as the basis for rate making the class system. You say:

14 "The equity of this system is not in question."

15 A. Yes, I accept that a class rate system
16 will continue to be part of the rate structure.

17 Q. And yet you concede -- I think it is in
18 paragraph 8; on page 4, -- that class rates carry only
19 one-tenth of the value of goods moved.

20 A. Yes, the class rates are becoming more and
21 more unimportant on the national outlook. They are
22 still significant in the Saskatoon region.

23 Q. In paragraph 25 you say:

24 "That regions such as Saskatoon are at present sub-
25 sidizing central Canada."

26 And if you accept the figure I gave you earlier
27 that approximately 81 per cent of your outbound traffic
28 moves on either agreed charges, competitive rates or
29 statutory rates, what portion of those outbound charges
30 do you think should bear an increase?

A. You are asking me to accept a wrong figure,



1
2 because 81 per cent of the movements out of Saskatoon
3 do not move out of those rates. I think you are confusing
4 Saskatoon with Saskatchewan. Are you referring to my
5 paragraph?

6 Q. In Saskatchewan and out of Saskatchewan
7 81 per cent of the traffic moves on these three types of
8 rates. I ask you as a representative of Saskatoon
9 if you would support the argument that some of those
10 rates should be increased so as to reduce the rates the
11 people of Saskatoon should bear?

12 A. Only those rates should be increased ---
13 insofar as they are competitive rates or agreed charges,
14 then if they do not meet the criteria we have laid down,
15 they will be subject to meeting those criteria just as
16 any other competitive rate or agreed charge.

17 Q. What about the Crow's Nest rate?

18 A. As I said this morning, I have not studied
19 the problem of the Crow's Nest Pass rates, which is a
20 very complex one, and on which the city has no opinion
21 to express. I have no instructions on that point.

22 Q. On your page 11, paragraph 30, you refer to
23 the expression "to subsidize":

24 "The method used to force western Canada, and the
25 prairies in particular" --

26 and we are not talking about Saskatoon --

27 "to subsidize competitive rates".

28 What is the element of subsidy that you refer to?

29 A. The element of subsidy is simply the fact
30 of the horizontal increase, that your class rates go up,
your competitive rates do not go up, or do not go up as



1
2 much as the class rates. Insofar as the competitive rates
3 would cover total costs, the class rates are subsidizing.

4 Q. What is the element of subsidy, the difference
5 between what and what?

6 A. The differences between rates and costs
7 on the high rate of traffic.

8 Q. The difference between the old rate and the
9 new rate?

10 A. No, the difference between rates and costs.

11 Q. That is, the element of subsidy you are
12 taking, Dr. Winch, is the difference between the actual
13 cost of carriage and the rate charged?

14 A. Yes, where the rate is above the true cost.

15 Q. In your paragraph 1, you say:

16 "Western Canada bears the bulk of the costs of move-
17 ments north of the lakes."

18 How are these costs borne?

19 A. This comes back, of course, to the problem
20 we were discussing this morning of the effect of the
21 national policy in that western Canada is forced to buy
22 from Canadian sources of supply rather than United States,
23 and that involves shipment north of the lakes and the con-
24 sumer has to pay more of the cost of the shipment and the
25 consumer is paying more of the cost of the movement north
26 of the lakes.

27
28
29
30
(Page 9144 follows)



1 Q. Well, your reference there is not solely
2 to a higher freight rate cost?

3 A. Yes, I am referring to freight rate costs.

4 Q. And is that all you are referring to?

5 A. Freight rates, yes.

6 Q. You do not include in that any suggestion
7 that the merchandise carried in itself could be more ex-
8 pensive, and that is part of the cost you are referring
9 to?

10 A. The merchandise?

11 Q. Let me be frank ---

12 A. Yes, I see your point. That is certainly
13 a part of the burden of the national policy which falls
14 upon the west, the fact it is paying a higher price,
15 of course, you do not get a horizontal increase in the
16 price on your goods in this context. The only part
17 we are referring to is the rate, the important part is
18 the rate.

19 Q. And in the words "cost of movement" you do
20 not include the cost of a refrigerator carried to a
21 housewife in Saskatoon?

22 A. The cost of the refrigerator is not a cost
23 of movement; the cost of movement is a cost of movement.

24 Q. I am not sure we are together yet, so let
25 us not leave that one bare naked. If the housewife were
26 to buy her refrigerator in Minneapolis she would buy it
27 for \$100 less. Now, is the \$100 more that I assume she
28 pays because she gets it from an eastern source included
29 in your reference to the cost of movement north of the lake?



1 A. No. The cost of movement is the cost
2 of movement, not the price of the goods.

3 Q. I think perhaps we can trim it down a
4 little tighter yet. Do you refer then only to the
5 cost of the additional mileage?

6 A. No, I refer to additional cost on the
7 longer route.

8 Q. And that includes the additional number of
9 miles that the particular refrigerator travels?

10 A. That would be one factor in it.

11 Q. In paragraph 50 on page 19 you refer
12 there to a Vancouver rate of \$1200. It is referred
13 to particularly in the second last line of the paragraph:

14 "It can go all the way to Vancouver for
15 \$1200."

16 Would you consider that rate was established to defeat
17 water competition?

18 A. I presume that it was. I would hardly
19 suspect that it resulted from high density traffic when
20 the rate on the intermediate was heavier -- either water-
21 borne competition or crazy.

22 Q. I will leave that to Mr. Sinclair.

23 MR. SINCLAIR: Oh, you clean it up yourself.
24 Mr. Sinclair has enough notes now to keep going.

25 MR. ALLEY: Q. This sentence gave me some
26 difficulty. On page 24, paragraph 67, starting at
27 the middle of the third line:

28 "This rate differential can greatly affect
29 the location of new industry, but it is based
30



1 not on the sound economics of transport costs ---"

2 Now, can you tell me ---

3 MR. DOHERTY: Page 24?

4 MR. ALLEY: Q. Yes. Can you tell me what is
5 meant by the sound economics of transport costs?

6 A. Transport costs which I regard as a sound
7 part of economics.

8 Q. Pardon?

9 A. Transport costs which are a proper, appro-
10 priate, relative part of the economic problem.

11 Q. Is it not sound economics to accept in
12 the establishment of transport costs, and take Vancouver
13 in particular, the fact that there is road transportation
14 which competes with our rail, American rail transportation
15 which competes with your Canadian rail, and water trans-
16 portation which competes with your Canadian rail, and as
17 a result of the location of Vancouver rail rates must
18 go down. Is that a sound economic of transportation?
19

20 A. Yes, that is, but that is one of the
21 vagaries of a transport market with varying degrees of
22 competition.

23 Q. And you use the further expression in
24 the fourth line from the bottom:

25 ". . . it will locate in the latter centre
26 even though from the cost standpoint this
27 is sub-optimum."

28 What do you mean by the expression "sub-optimum", used
29 in that context?

30 A. I simply mean that if we have two



1 alternative locations for a firm which are going to
2 produce the same goods for the same market, then the
3 optimum location is that where your costs, your total
4 cost of the goods delivered at the market are lowest.
5 The other will be sub-optimum. Sub-optimum simply
6 means other than the best.

7
8 Q. Yes, but you say the firm will locate
9 where the transport rates are lowest. Is that not
10 a vital factor in the delivery of the goods to the market?

11 A. It will locate where the rates are lowest
12 but the optimum will be the location where the costs
13 are lowest. There is a difference between the rate
14 the railway charges and the cost of moving the goods.

15 Q. I see. What you are saying is in con-
16 sidering the effect or in referring to sub-optimum you
17 are considering the actual out-of-pocket cost of the
18 movement of the goods without considering the increment
19 to overheaded profit?

20 A. I am making no such distinction.

21 Q. Pardon?

22 A. I do not think I am making that distinction.

23 Q. I am trying to find out what you do mean.

24 A. To produce goods and deliver them to
25 market involves cost of production and costs of movement,
26 and I do mean costs of movement. I do not mean the rate
27 paid for carriage.

28 Q. All right, what do you mean when you say
29 cost of movement?

30 A. Rail costs if they are going by rail;



1 truck costs if they are going by truck.

2 Q. Rail costs -- do you include the whole
3 rate or only the out-of-pocket cost?

4 A. That would depend on whether the rail line
5 is there and in operation, or not. If it is there and
6 operating it would be direct cost; if you were building a
7 new line you would have to include the other.

8 Q. In the example you gave you presumed the
9 rail was there?

10 A. I did not give an example.

11 Q. Well, I will accept your answer, I think
12 it is sufficient.

13 A. Thank you.

14 Q. Now, I think I have your answer to this,
15 and I think it is clear, but is it your proposition
16 that all rates should be at the level of the lowest
17 competitive rate?

18 A. No.

19 Q. Have you any alternative to suggest to
20 horizontal increases?

21 A. No, not specifically recommending an alter-
22 native, but where these horizontal increases would in-
23 volve pushing rates to too high a level then an alter-
24 native must be sought and the alternatives we discussed
25 this morning.

26 Q. In preparing your brief -- and I think
27 you were being cross-examined this morning when I thought
28 of this question -- in paragraph 38, page 14, did you
29 give any consideration to the effect of the bridge
30



1 subsidy on products of Saskatoon going east?

2 A. Not specifically, no.

3 Q. You were being asked a number of questions
4 this morning on the reappraisal of a big problem. Now,
5 should not any appraisal of, or reappraisal of, freight
6 rate problems be related to cost of carriage, that is,
7 rail cost of carriage?

8 A. It would certainly be related to that, yes.

9 MR. ALLEY: I think that is all I have, Mr.
10 Chairman.

11 THE CHAIRMAN: Thank you, Mr. Alley.

12 Well, I see it is now five minutes to four.

13 MR. SINCLAIR: Mr. Chairman, my friend Mr.
14 Hume told me this -- he can speak for himself -- he
15 has only four or five questions and I think he would
16 like to finish them off.

17 MR. HUME: I have a very short cross-examination
18 and I think I can undertake with the Commission that I
19 should be through in less than ten minutes.

20 THE CHAIRMAN: Well, we stick pretty close
21 to the union hours.

22 MR. HUME: It would be convenient for me to
23 finish.

24 CROSS-EXAMINATION BY MR. HUME:

25 Q. Just one or two questions which I can
26 ask you from here. Having had the opportunity of further
27 study of your brief since you presented it, I have been
28 told and been advised during the recess and the other
29 cross-examination of my friend Mr. Cumming, I only
30



1 have one or two points.

2
3 The first thing I want to say is, as I recall
4 it in Regina when you were being introduced there was
5 some question as to the fact that at one time you had
6 done certain research work for the Canadian Trucking
7 Associations, which I now represent. In the past
8 you have done certain work for them?

9 A. In the past.

10 Q. And just to make it clear, it is my
11 understanding that when you were approached by the City
12 of Saskatoon in connection with the preparation of this
13 submission you wrote Canadian Trucking Associations and
14 advised them you would not be available to assist them
15 in any way, and you have not, in fact, been consulted
16 or done any work for them in connection with their
17 submission?

18 A. That is right.

19 Q. Now, if you would be good enough to turn
20 to page 4 of your brief, this is one of my three or
21 four points. Without necessarily referring to a
22 specific paragraph, at the bottom of paragraph 10 you
23 indicate the variety or strength of competitive agencies
24 in Ontario and Quebec and compare them to the West.
25 My question to you is this: as a result of your investi-
26 gations, and as a result of the table at the bottom of
27 page 6, is it apparent to you that the trend of the
28 impact of competitive forces is increasing in what we
29 call western Canada for the purposes of freight rates
30 as indicated by that table at the bottom of page 6?

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1 A. Tending towards, between three major
2 regions, yes, but not completely solving within a
3 particular region, no.

4 Q. No. My next point is to ask you in
5 connection with page 16, if you will take a glance at
6 that: you are discussing the problems of the City of
7 Saskatoon, and as I read your paragraph 42, you are
8 not complaining but stating as a fact that because of
9 problems of road limits you have not got the truck
10 competition to Saskatoon that some of the other sections
11 of western Canada enjoy?

12 A. That is true.

13 Q. Have you made any study as to what the
14 road limitations are in Saskatchewan?

15 A. Yes, I have.

16 Q. I have to rely on you, sir, but I had in
17 my hand a chart published by some magazine, and it is
18 my understanding of the chart that up to six-wheel
19 tractors that your road limits in Saskatchewan are pretty
20 comparable to any other province in Canada. Is it your
21 understanding that is not the case?

22 A. Comparable, but certainly not equal.

23 Q. Leaving out the Trans-Canada Highway for
24 a minute and the frozen roads, you have a road limit
25 for a six-wheel tractor, five-axle, 78 trailer of 54,000
26 pounds gross weight, which is 10,000 pounds more than
27 Manitoba; it is only 2,000 pounds less than Alberta;
28 it is 4,000 pounds greater than Winnipeg, and it is
29 equal to Ontario.
30



1 A. Is it?

2 Q. Yes, and that so far as the Trans-Canada
3 highway is concerned and all Saskatchewan roads between
4 December the 1st and March, your road limits are 64,000
5 pounds, which compares favourably.

6 A. Compares favourably with 72,000 pounds?

7 Q. Well, with Quebec, which is 50 ---

8 A. Is your comparison with other prairie
9 provinces, or with eastern Canada

10 Q. I am speaking of Saskatchewan: 64,000
11 pounds. Alberta is 62, and 72 on the Trans-Canada
12 highway; and British Columbia, 71,900.

13 A. Sixty-four thousand to 71,900 or 72,000 --
14 I would say there is not a close comparison.

15 Q. And Quebec and other places in Canada,
16 the amount is less. I am only mentioning it to find
17 out whether or not it is your understanding that you do
18 suffer from an inability to have proper road limits on
19 your roads in Saskatchewan, or whether this is informa-
20 tion you picked up from some publication?

21 A. No, this is a result of my own study of
22 the subject, and it is my opinion that Saskatoon is at
23 a disadvantage with regard to road limits on Saskatchewan
24 highways.

25 Q. This is a matter of provincial control,
26 isn't it?

27 A. Oh, yes, it is outside the jurisdiction
28 of the Commission.

29 Q. Do you know whether Saskatoon has made any
30



1 attempt to suggest to your government that the weight
2 limits might be raised?

3 A. Not to my knowledge.

4 Q. Now, would you be good enough to turn to
5 page 29, and this is my last point with you. As I
6 came into the room this afternoon this was being dis-
7 cussed, and I wanted to ask you one question about it,
8 and that is, your paragraph 82 at the top of page 29:
9 you make the point, as I read your paragraph, that
10 subsidies should not be available to permit one means
11 of transportation to compete at a loss, and you say:

12 ". . . with other forms of transport for
13 those movements where the alternative carrier
14 is the more economic."
15

16 With your background, and having heard you in Regina,
17 I am not surprised your emphasis is on "economic", but
18 would you apply the same principles where other forms
19 of transport may not be more economic, but where the
20 service factor may be such that the shipper might wish
21 to use it?

22 A. "Economic" would include quality of
23 service. Economy is not a matter of dollars and cents
24 alone. There is no distinction. I would say quality
25 of service and attractions to the shipper are all part of
26 the economic basis.

27 Q. Then, your sentence might read this way:
28 "under no circumstances should government subsidies be
29 available to enable the railways to compete at a loss
30 with other forms of transport for those movements where



1 there is an alternative carrier." Would you agree
2 with that?

3 A. No.

4 Q. It has got to be more economic, as you
5 define "economic"?

6 A. Yes.

7 Q. Would you apply the subsidy that is sug-
8 gested for the carriage of wheat -- would you apply
9 that only to the railways at the present time, or would
10 you feel that such a subsidy might be available to permit
11 other modes of transportation to compete, as you know
12 they do in the United States?

13 A. I have not suggested a subsidy for the
14 carriage of wheat, so the question does not apply.

15 Q. But what is implied in paragraph 82, as
16 I read it, is if your conditions are met and subsidies
17 are, in fact, justified, should they be to one -- and
18 in this country to the railways, because that is what
19 we are speaking about -- or should the subsidy be paid
20 in such a way it would let other modes of carriage com-
21 pete for the traffic?

22 A. Other modes of traffic are just as
23 entitled as the railways, on the same ground.

24 ---Adjournment.
25
26
27
28
29
30

Mr. [illegible]
Mr. [illegible]

ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

OTTAWA

VOLUME No.:

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in
the Court Room, Board of Transport
Commissioners Offices, Ottawa,
Ontario, on the 22nd day of March,
1960.

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E R R A T A

VOLUME 48

- Page 9119, line 11: Delete "above" substitute "below"
9132, line 24: After "of its" insert "demand for"
9011, line 5: Delete "national" substitute "natural"

VOLUME 50

- Page 9390, line 18: Delete "intermediate" substitute
"competitive"
9395, line 7: Delete "Would you leave it closed"
substitute "Would you need a closed
van"
9395, line 16: Delete "labour" substitute "lift trucks"
9396, line 24: Delete "bargains" substitute "bargainers"
-



Ottawa, Ontario,
March 22, 1960.

---On resuming at 10.00 a.m.

THE CHAIRMAN: Who is first?

MR. DOHERTY: Mr. Chairman, may I, before we commence, just draw attention to two minor errors in the record of yesterday?

THE CHAIRMAN: Certainly.

MR. DOHERTY: At page 9119, in line 11, it reads:

"cost and none above direct cost."

It should read:

"cost and none below direct cost."

The second matter I wish to draw attention to is on page 9132, at line 23. It reads:

"What it takes into account is the elasticity of its service."

It should read:

"What it takes into account is the elasticity of demand for its service"

- that is carrying on into line 24.

Mr. Chairman, at page 9093 of the evidence of yesterday Mr. Cumming asked us to ascertain the weight limits on highways into Saskatchewan. I now have to file with the Commission a copy of the regulations made under the Highways and Transportation Act of Saskatchewan. These are regulations published in the Saskatchewan Gazette dated Friday, May 22, 1959, at volume 55, No. 21, pages 489 and 490, and it is order-in-council 795/59 of May 12, 1959. Section 4 of these regulations provides the weight limits for a provincial highway: The maximum weight limit is shown as 54,000 pounds; and section 4 of the regulations



1
2 provides in the nature of an exception to the rule or a
3 proviso that on provincial highway No. 1, which is the
4 Trans-Canada Highway, that the maximum weight limit is
5 64,000 pounds. I will file this copy of the order-in-
6 council.

7 ---EXHIBIT NO. 120: Copy of Order-in-Council
8 dated May 12, 1959.

9 THE CHAIRMAN: There have been no amendments
10 since?

11 MR. DOHERTY: Not to my knowledge, sir.

12 THE CHAIRMAN: Well, before we start this morning,
13 the Secretary will distribute a list of the hearings as
14 they are to be arranged at this sitting from now on. We
15 have not received from a number of those who are to make
16 representations any submission. So that will mean that
17 there will be not as much at this sitting as we had felt
18 there would be.

19 However, having regard to the convenience of the
20 various witnesses, the Secretary has worked out a revised
21 list and it will be distributed. For instance, the Canadian
22 Lumbermen's Association - I see them here - will be on on
23 the morning of the twenty-third, that is the morning of
24 March 23. That is tomorrow morning. And the Interior
25 Lumbermen's Association will be on in the afternoon. I
26 question whether we will go on this afternoon, but there
27 is a possibility, of course; you never know what cross-
28 examination will bring out.

29 Mr. McDonald?

30 MR. McDONALD: Thank you, Mr. Chairman.



CROSS-EXAMINATION BY MR. McDONALD:

Q. Dr. Winch, as I recall it, when you gave your evidence in chief in Regina you stated you were a graduate of the University of London?

A. That is correct.

Q. What year?

A. 1954.

Q. And since 1954 what have you been doing with regard to your profession?

A. Well, in the year 1954 to 1955 I was a graduate student at the London School of Economics; from 1955 to 1956 I was at Yale University, and from 1956 to 1957 I was back at the School of Economics, taking my Ph. D. in 1957. I then came to Canada as a research associate in the Department of Economics, University of Toronto, working on the joint highway research program of the Department of Highways of the government of Ontario, and then in 1958 I went to the University of Saskatchewan as a special lecturer on economics, which is my present post.

Q. You have been there about two years?

A. Almost two years now.

Q. I take it that you never had any practical experience in rate-making for railways?

A. No.

Q. And nor did you ever have to negotiate rates for industries?

A. No.

Q. For how long had you been working on this brief for the city of Saskatoon?



1
2 A. I began it in February, 1959. It was just
3 over a year.

4 Q. I will refer first to paragraph 5, page 3
5 of your submission, where the statement is made:

6 "...while rates in eastern Canada have been consis-
7 tently lower than those in the west".

8 When you made that statement did you take into
9 consideration the Crow's Nest Pass rates on grain?

10 A. I took into consideration mainly the material
11 which is presented in paragraph 94 on page 34, the
12 appendix.

13 Q. Did you take into consideration Crow's Nest
14 rates on grain?

15 A. Not specifically, no.

16 Q. Did you give any consideration to the Crow's
17 Nest rates on grain when you were making that statement?

18 A. Not separately, no. This was a general state-
19 ment.

20 Q. In arriving at that conclusion, did you give
21 any weight to the fact that the rates on grain to export
22 positions were fixed by statute?

23 A. No.

24 Q. Can I ask you why you did not take them
25 into consideration? Was it because your principals instruc-
26 ted you to disregard them?

27 A. No, my principals were not instructing me
28 how to conduct my inquiry or how to conduct my studies.

29 Q. Just taking this broad statement, "rates in
30 eastern Canada have been consistently lower" - if you
took into consideration the Crow's Nest rates on grain to



1
2 export positions, this statement would not be correct.

3 A. I don't know. It would depend on how
4 one assessed it.

5 Q. You couldn't give me an answer on that?

6 A. I do not know the answer to that question,
7 not having done the study. But I think one can get some
8 answer to it from data which the Canadian Trucking Associa-
9 tion presented. We have a table of waybill statistics
10 which shows rates in central Canada. This shows rates in
11 cents per ton mile in the year 1957 to be 2.45 cents in
12 central Canada, and 2.92 cents in western Canada, and
13 that, I believe, I am under the impression, includes the
14 statutory grain rates.

15 Q. Do you know whether it includes the stat-
16 utory rates? --

17 THE CHAIRMAN: What is the source there?

18 THE WITNESS: It is the Canadian Trucking Assoc-
19 iation's submission to the Standing Committee on Railways,
20 Canals and Telegraph Lines of the House of Commons.

21 MR. McDONALD: Q. But you don't know whether
22 those include the grain rates?

23 A. I believe they do, but I could not be certain.
24 I have not conducted an independent study myself.

25 Q. Then in paragraph 10 of your submission you
26 refer to the views expressed by J. S. Carmichael of the
27 Freight Services Division of the government of Saskatchewan,
28 where he states:

29 "Far more goods proportionately move on class rates
30 in the west than in the east."

Did you make any check or calculation to



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ascertain whether or not that statement was correct?

A. I did not do an independent study, no.

Q. Then in paragraph 12, the last sentence, you say:

"More will be said below in support of the contention that we in Saskatchewan are subsidizing rail transport in central Canada".

Did you have in mind the Crow's Nest rates on grain when you made that statement?

A. When I made that statement I had in mind the paragraph which came later, which is paragraph 25 on page 10.

Q. Did you have in mind the Crow's Nest rates on grain when you prepared the paragraph 25?

A. No, I did not.

Q. That wasn't taken into consideration?

A. No.

Q. Then paragraph 13, where you speak of the Panama Canal route to Vancouver, and you also say that agreed charges in some cases show higher rates to Alberta and points east than to the Pacific coast. Would you agree with me that it is better for the railways to retain this traffic by agreed charges or competitive rates rather than lose it?

A. That depends entirely on whether the traffic is remunerative.

Q. Assuming that for the moment. You know that by law the railways are required to have their agreed charges at remunerative rates?

A. Providing the competitive rate is at a



1
2 remunerative level and is also at that rate which maximizes
3 net return over direct costs. These are the two criteria
4 which I laid down in my brief and would apply to that
5 case.

6 Q. You know that the railways are required to
7 have their agreed charges at rates which are compensatory?

8 A. Yes.

9 Q. And in the absence of any evidence to the
10 contrary, we can assume that they are obeying the law?

11 A. We can take that as a working hypothesis, yes.

12 Q. So as a general principle, would you agree
13 with this, that it is better for the railways to have their
14 agreed charges and retain the traffic rather than lose it
15 to another form of competition?

16 A. On that assumption, yes, but it still does
17 not state that the rates charged are the best rates, that
18 it would not be possible for them to charge more.

19 Q. But taking the first step.

20 A. Yes, taking the first step.

21 Q. There would be a contribution to overhead?

22 A. Yes, but it would be better if the contribu-
23 tion to overhead is maximized.
24
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1 Q. You have had no experience -- you do not
2 know of any instance where these rates are lower than
3 necessary?

4 A. I cannot tell you without a costing study
5 and a study of the demand potential and a number
6 of other things. I have not made such a study.

7 Q. Without that you cannot express any views?

8 A. I might express a firm suspicion that
9 some may be too low, but I cannot give a direct case.

10 Q. Suspicions are no good. You have no
11 evidence?

12 A. Suspicions are the things which lead one
13 to make an examination. I could not make an examina-
14 tion without the data.

15 Q. But you cannot convict on a suspicion
16 alone?

17 A. One cannot convict but one can try on
18 suspicion.

19 Q. How valid are your suspicions? You have
20 had no experience in rate making. Are you qualified to
21 say, "I am suspicious that this rate is too low"?

22 A. The suspicion that the rate is too low is
23 not a matter of rate making. It is a matter of the
24 elasticity of demand for transport services. That is
25 rather different from rate making.

26 Q. What experience have you had on the
27 elasticity of demand for transport services in Canada?

28 A. Specifically in Canada?

29 Q. Yes.
30



1 MR. SINCLAIR: On the Pacific coast.

2 THE WITNESS: If Mr. Sinclair is going to
3 limit me to railways on the Pacific coast -- if your
4 question applies to any transport form in Canada, I
5 have had some consulting experience with the trucking
6 world, not railways, and also of course the general
7 principles of economics which apply to demand and its
8 elasticity would lead one to some opinions, but no
9 direct analysis of any particular movements.

10 MR. McDONALD: Q. In paragraph 14 on page
11 6 you refer to the Hudson's Bay line to Churchill and
12 you state:

13 "There is therefore no completely alter-
14 native route to avoid use of railways, and by
15 maintaining high freight rates on the Hudson's
16 Bay line the railways are able to ensure that
17 the route does not constitute effective com-
18 petition with other import and export routes
19 between Saskatchewan and Europe."

20 Are you asking the Board to believe that the railway is
21 deliberately maintaining high freight rates to ensure
22 that the route does not constitute competition?

23 A. I do not know what is in the mind of the
24 railways and I do not ask the Commission to believe that,
25 but I do suggest that the policy of the railways is
26 having that effect, whether deliberately or not.

27 Q. Did you examine the freight rates on the
28 Hudson's Bay line?

29 A. Not directly. I relied in this one
30



1 paragraph on evidence given to me by the Hudson's Bay
2 Route Association, who I understand have already sub-
3 mitted a brief.

4 Q. You did not examine the rates yourself?

5 A. No.

6 Q. Are you aware that there are many com-
7 modity rates published on the Hudson's Bay Line which
8 are on the same basis as commodity rates on other
9 points to western Canada?

10 A. I am not aware, but I would be interested
11 to know what you mean by "on the same basis".

12 Q. The same scale.

13 A. The same scale per ton per mile?

14 Q. Yes.

15 A. I was not aware of that.

16 Q. Are you aware that the railways carry
17 grain to the port of Churchill?

18 A. Yes.

19 Q. On the same basis as the rates to Fort
20 William and Port Arthur?

21 A. Yes.

22 Q. So therefore they are not maintaining high
23 rates there to prevent this rail line from competing
24 with the other routes?

25 A. Not on grain.

26 Q. Are you aware of specific rates put in
27 to meet market competition?

28 A. On the Hudson's Bay line?

29 Q. Yes.



1 A. I am not aware of any such rates.

2 Q. I would suggest that you look up the
3 rates on cement from Winnipeg and other points in
4 western Canada to the port of Churchill to meet com-
5 petition from Belgium. You did not know that?
6

7 A. To meet competition from Belgium coming
8 into the port of Churchill?

9 Q. Yes.

10 A. That of course would apply to Winnipeg?

11 Q. No, from Winnipeg -- Saskatchewan too, I
12 believe. Port White, Manitoba.

13 A. That, of course, does not affect the
14 statement in my paragraph. The route does not constitute
15 effective competition with other import and export
16 routes between Saskatchewan and Europe. It is not a
17 matter of other import and export routes.

18 Q. But you are talking about maintaining these
19 high freight rates. What I am getting at is this. The
20 Hudson's Bay line is dealt with on the same basis as any
21 other line. There are rates to meet the market com-
22 petition. There are special commodity rates which you
23 do not know about on that line? That is a very loose
24 statement, you see. Are you aware that the railways
25 are always ready to negotiate commodity rates when
26 there is a commodity to move?

27 A. It is my understanding.

28 Q. And that applies to the Hudson's Bay line
29 the same as any other line?

30 A. Yes, it is also my understanding that the



1 shipper has to have sufficient initiative to begin
2 his own negotiations before he gets satisfaction.

3 Q. The railways cannot just publish all
4 sorts of rates till we know what the commodities are
5 that they are to move and where they are going to move?

6 A. Yes. If the railways do not publish the
7 rates and do not know the commodities, who do?

8 Q. The shipper knows the commodity and where
9 he is going to ship it. He comes to the railway.

10 A. The large shipper is likely to come to the
11 railway. The small shipper is likely to tolerate the
12 rate he is given. That is one of our points.

13 Q. Do you know that from experience or is
14 that your suspicion?

15 A. That is certainly received from business
16 men in the Saskatoon area.

17 Q. You know that the railway has not had
18 any complaints from business men who are shipping on the
19 line to Churchill about rates?

20 A. This is one of my points, that the small
21 shipper who does not employ a freight expert and a
22 freight manager does not generally prepare a case. He
23 is not aware of the fact that the railways are open to
24 negotiations and he does not get satisfaction, because
25 he has not the resources and the initiative to go and get
26 it.

27 Q. How could the railways overcome that?

28 A. The railways surely should be in a position
29 to know what traffic is moving and what rate should be
30



1 charged.

2
3 Q. They know when the traffic is moving
4 but they do not know if you might have something in your
5 mind in Saskatoon. If you kept it to yourself, the
6 railway would not know about it until you offered it
7 for shipment?

8 A. That is right. When it is offered for
9 shipment, would the railway make sure that the lowest
10 possible rate was given?

11 Q. If you wanted to negotiate a rate for a
12 commodity they would negotiate it.

13 A. I was not suggesting that. I was asking
14 would the railway make the same rate as it would have
15 made if the shipper had insisted on negotiations?

16 Q. The lowest published rate.

17 A. But one is open to negotiate still lower
18 rates?

19 Q. Yes.

20 A. If one has the initiative and the means
21 to open negotiations, which small shippers do not have.

22 Q. The railways have been in this business
23 for years and they have not found much difficulty about
24 it.

25 A. The shippers have.

26 Q. They have not had complaints. You have
27 already told me you have had no experience in rate
28 making and these were only suspicions and with nothing
29 to back them up. Did you know there was a lot of
30 evidence before this Commission about the principles of



1 rate making?

2 A. Evidence by whom?

3 Q. By the Vice-president of Traffic of the
4 Canadian Pacific Railway, the General Freight Traffic
5 Manager of the Canadian Pacific Railway, the Freight
6 Traffic Manager of the Canadian National Railways --
7 they were in the box for days before this Commission.
8

9 A. I could not get a copy. We wrote to the
10 railways and asked for copies, but our letters were not
11 acknowledged until after our brief was submitted.

12 Q. I am asking you if you have read the evi-
13 dence yet?

14 MR. DOHERTY: May I say that Mr. Winch was not
15 here when this evidence was given, and copies were not
16 available to him, and therefore it was not possible for him
17 to read them, and so I would ask that this line of ques-
18 tioning be dropped.

19 MR. McDONALD: Q. I was just pointing this
20 out to the witness. He has had no experience in rate
21 making, and I suggest that he read the transcripts.

22 A. If you will provide me with copies I will
23 read them.

24 Q. We do not provide a transcript.

25 MR. DOHERTY: All Mr. Winch is suggesting is
26 that he have a copy of a transcript.

27 THE CHAIRMAN: The witness neither had the
28 evidence nor read the transcript. So that closes that.

29 MR. McDONALD: I am suggesting that for his
30 own education he should read it.



1 MR. DOHERTY: Dr. Winch does not come here
2 as a rate expert. He comes here as an economist. I
3 think he would be only too happy to read copies of the
4 railways' submissions if they were available to him. I
5 do not think we can gain anything by questioning along
6 these lines.
7

8 MR. McDONALD: In view of the comment that we
9 have had that he does not come here as a rate expert,
10 he should not make these sweeping comments regarding
11 rates.
12

13 Q. In paragraph 18, on page 7, you say:

14 "While other regions in western Canada
15 have benefited from the growth in competing
16 forms of transport, Saskatoon has received
17 very little relief in this way."
18

19 Before putting this statement in your brief, did you
20 check up to see how many trucking companies were opera-
21 ting in and out of Saskatoon?
22

23 A. I did not check the number of companies,
24 no. I did, however, check that there is greater
25 benefit from competing forms of transport in Regina than
26 Saskatoon.
27

28 Q. But there is some competition in Saskatoon?

29 A. Of a sort, yes.

30 Q. Then are you familiar with C.N.R. Tariff
W950, which covers the movement of various commodities
in western Canada, including Saskatoon?

A. I am not familiar with the tariff.

Q. I would suggest you examine Item 90 of



1 that Tariff, and if you check that against the truck
2 rate in western Canada you will find that the rail rates
3 to Saskatoon are lower than the truck rates.
4

5 A. On one specific rate?

6 Q. No, not on one specific rate, on a number
7 of rates.

8 A. You quoted one item.

9 THE CHAIRMAN: One tariff.

10 MR. McDONALD: One tariff. This covers a
11 number of commodities.

12 MR. DOHERTY: Could I ask when that tariff
13 came into effect?

14 MR. McDONALD: 1957.

15 THE WITNESS: Are those rates the same for
16 Saskatoon and Regina?

17 MR. McDONALD: I don't know.

18 Q. You are not aware of the tariff? You
19 have not checked it?

20 A. I have not checked it.

21 Q. Did you know that a complaint was made
22 to the Board of Transport Commissioners that these were
23 not compensatory, and after the hearing the Board found
24 they were?

25 A. These particular rates?

26 Q. Yes.

27 A. No, I did not know that.

28 THE CHAIRMAN: Were those the rates from
29 Saskatoon or Winnipeg?

30 MR. McDONALD: From Winnipeg -- including



1 Saskatoon.

2 THE WITNESS: Would the rate be the same as
3 that from Regina?
4

5 MR. McDONALD: Q. I have not checked it.

6 A. Might I suggest you check them before
7 you question me on them?

8 Q. I ask the questions and you answer them.
9 I want to find out what information you have got before
10 you make these statements in your brief. It has been
11 very meagre.

12 In paragraph 19, on page 8, you say:

13 "It is high time the whole philosophy
14 of competitive rates and agreed charges were
15 subjected to a searching re-appraisal."

16 With the lack of experience you have had in rate making,
17 do you think you are an authority to make a statement
18 like that?

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2 A. I think after my inquiry there was sufficient
3 evidence to convince me the subject was worthy of study.

4 Q. You did not find any evidence that any of
5 these agreed charges were lower than necessary to hold the
6 traffic, did you?

7 A. It was because we did not have the evidence
8 we needed the study.

9 Q. But you did not have any evidence?

10 A. No, if we had the evidence we would not have
11 had to find it.

12 MR. DOHERTY: I think the witness said he has
13 not made a cost study, the information is not available
14 for a cost study and it is not for him to say they are not
15 compensatory but certainly he could say there is a suspicion.

16 THE CHAIRMAN: Well, he made the statement and
17 Mr. McDonald is entitled to see what basis he has for it
18 and it will be up to the Commission to give weight to the
19 evidence.

20 MR. McDONALD: Q. That is what I am trying to do,
21 to help the Commission to see what weight should be given
22 to these broad statements. In paragraph 21, you state:

23 "With the present state of cost accounting on Canadian
24 railways it is impossible to determine whether a
25 particular rate does cover its direct costs..."

26 You have had no experience with cost accounting
27 on Canadian railways, have you?

28 A. Perhaps I should say with the results of cost
29 accounting on Canadian railways available to the public it
30 was impossible for me to determine.



1
2 Q. But this statement as it appears you say it
3 is not proper?

4 A. I will correct that: What the public has
5 I have, but what the railway has I do not know.

6 Q. But you do not want to attempt to uphold the
7 statement you made here?

8 A. As it actually appears, no, I don't know what
9 cost accounting data you have that is not released to the
10 public. I could not get the data.

11 Q. Then, in paragraph 22:

12 "But if the transcontinental rates were raised some-
13 what it is questionable how much traffic would be
14 lost".

15 Have you any evidence to back up that statement?

16 A. If I had evidence it would not be question-
17 able, it is questionable because there is no evidence.

18 Q. It is just questionable in your mind?

19 A. Yes, in my mind.

20 Q. Then, in paragraph 23 on page 9 the state-
21 ment there appears:

22 "The answer at present is regions such as Saskatoon
23 which do not have the benefit of competition..."

24 Do you intend the Commission to take the meaning
25 from that that Saskatoon has no competition?

26 A. Not no competition, perhaps I should revise
27 that to "which do not have as much benefit from competition
28 as do other regions of the country..". It is a relative
29 matter.

30 Q. This is a bald statement.

31 A. Agreed.



1
2 Q. Which is incorrect.

3 A. It is a matter of degree, not a matter of
4 all or nothing.

5 Q. Then, on page 11, paragraph 9 you make this
6 statement:

7 "...regions such as Saskatoon where high rates can
8 be charged because of their monopoly position...."

9 Do you mean that the railways have a monopoly
10 on transportation in Saskatoon?

11 A. Not a complete monopoly on transportation
12 but certainly the only effective carrier for some commod-
13 ities on some movements.

14 Q. And one of the big movements in Saskatchewan,
15 the largest segment of traffic on both railways is grain
16 to export positions?

17 A. To and from Saskatoon?

18 Q. From Saskatchewan.

19 A. I am talking about Saskatoon.

20 Q. Does not grain come from around Saskatoon?

21 A. Presumably there is some. I have not the
22 data on it.

23 Q. Have you not got an elevator in Saskatoon?

24 A. Yes.

25 Q. A big government elevator there?

26 A. Yes.

27 Q. Are there not large shipments from there?

28 A. Presumably there would be.

29 Q. But you were surprised a moment ago when I
30 suggested there would be shipments from Saskatoon?

31 A. I was surprised at you mentioning



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Saskatchewan when we were talking about Saskatoon.

Q. Do you touch on Saskatchewan in many places?

A. Not in ~~this~~ paragraph.

MR. DOHERTY: In this paragraph Mr. Winch is speaking of, always speaking of the city of Saskatoon and the Board of Trade and I do not think the question of grain enters into the matter.

MR. McDONALD: Q. Well, what does the city of Saskatoon have to ship?

A. This question was asked yesterday and I answered it yesterday. I could not give you a list of the industries.

Q. Not the industries, your counsel pointed out - the city of Saskatoon does not ship anything, it is the industries and the people of Saskatoon.

A. Of course, the city is a representative government of the people of Saskatoon.

Q. That would include the grain elevator, would it not?

A. Perhaps if it is a federal government elevator, perhaps.

Q. Then you get to paragraph 30 and you say: "Financial difficulties of the railways result partly from rising costs and partly from reduced revenues as a result of competitive rates."

How do you get reduced revenues as a result of competitive rates?

A. Well, presumably before there is any need to put in a competitive rate the rate is higher than it is after you put in the competitive rate. It is the



1
2 threat of competition, the threat of losing revenue that
3 forces the rate reduction. If the rate reduction increases
4 the revenue it would have been worthwhile before the
5 competitive development, therefore one must assume it
6 would reduce the revenues.

7 Q. I am putting it to you this way, your dif-
8 ficulties do not arise from competitive rates, they arise
9 from competition which make competitive rates necessary.
10 Is that not it?

11 A. If you like to go one stage back.

12 Q. Yes, because the competitive rates are bring-
13 ing in money, they are not a losing proposition, it is
14 the competition -

15 A. They do not bring as much revenue as
16 the rates did bring in before the competition forced the
17 competitive rates which is what I am saying.

18 Q. Then, paragraph 34 you speak there again
19 of subsidizing competitive rates. You are not subsidizing
20 competitive rates, are you?

21 A. Yes.

22 Q. Well, supposing you take this position:
23 There is competition, and the railways instead of putting
24 in competitive rates let the traffic go to the competition.
25 Now, who would be subsidizing what then?

26 A. That depends on who is paying the rates and
27 where the losses are being made.

28 Q. But we are not considering a case like that,
29 I am considering where they are bringing in some revenue.

30 A. Yes, They are not covering the total cost,
some competitive rates do not and those losses are made up



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by profits on other traffic and that to me is a subsidy.

Q. It still does not mean it is a loss, you are getting some revenue by putting in the competitive rate that you would not get if you did not put it in.

A. To me if your total costs are more than your revenues there is a loss.

Q. Would you agree with me on this that where the railways put in a competitive rate they are getting revenue which they would not otherwise get?

A. I would not agree with you on that. If they did not have a competitive rate there might be a greater loss.

Q. Then, in paragraph 38 you say:

"Successful industrial development in the northern prairies can never be fostered by high freight rates which create a barrier to movement across the country
- "

Do you know anything about the development in the northern part of Manitoba, the mining development?

A. Not specifically, no.

Q. Do you know how those rates were negotiated, what the railways did in these cases?

A. No, I do not.

Q. And what would you suggest, speaking about the northern part of the prairies in this paragraph, what would you suggest the railways do?

A. My own suggestion is that rather than wait for competition, rather than wait for shippers to come and negotiate, that the railways examine this potentially developing field of traffic and institute such rates as



1
2 will encourage the development.

3 Q. But you do not know what products are there
4 yet, if any?

5 A. No.

6 Q. You do not know where they will be?

7 A. No.

8 Q. You do not know where they will be shipped
9 to?

10 A. No.

11 Q. How can the railways put in rates without
12 knowing that?

13 A. The railways probably if they examined the
14 position would know the answers.

15 Q. No, the railways do not know the answers,
16 how would they if they do not know where the products are,
17 where they are to be shipped to, the quantities and so on.
18 They cannot put in rails before they get the products.

19 A. Well, the railways do not know, I do not know
20 and nobody knows, that is why I suggest we study it be-
21 cause nobody knows the answer.

22 Q. You are not familiar with the development
23 of this country over the years?

24 A. No.

25 Q. Where prospectors got out and found mines
26 and then they came to the railways and said, "We want
27 a railway to transport the goods." That is the way it
28 works, the railway does not build the railway first on
29 the chance there might be a mine there.

30 A. As far as the settlement of industry in the
31 northern prairies is concerned, that does not apply. This



1
2 is not a matter of perspective.

3 Q. Do you know of any industries that have not
4 been able to settle in the northern prairies because of
5 high freight rates?

6 A. Again this was asked yesterday and the
7 answer again is there were firms who examined Saskatoon
8 and have not settled and the main objection was the freight
9 rates.

10 Q. I will follow this a little further: You
11 have had no experience in locating industries in Canada?

12 A. It is my understanding based on experience
13 of the Board of Trade of Saskatoon.

14 Q. I say "you"?

15 A. Personally, no.

16 Q. Therefore you do not know what an industry
17 takes into consideration when it is a choosing a location
18 for a new plant?

19 A. For myself, no, but the persons in the Board
20 of Trade for whom I wrote this brief were in daily contact
21 with it and that was their conclusion, it is their brief.

22 Q. We know something about that and I would
23 point out to you that one very important consideration for
24 any industry is where their market will be.

25 A. Well, of course.

26 Q. And if it came to a question of locating
27 either in Saskatoon or Regina, depending on the product
28 if their market were in the vicinity of Regina it would
29 have a very great preponderance over Saskatoon?

30 A. It would be one important consideration.

31 Q. So railway freight rates are only one thing



1
2 taken into consideration in locating an industry?

3 A. They are one thing but they are a very
4 important thing.

5 Q. Paragraph 41 on page 16 you are speaking of
6 the problems of Saskatoon and you say:

7 "These recent improvements in the picture have not
8 been shared by Saskatoon.",

9 Did you examine to see how many agreed charges
10 there were to Saskatoon?

11 A. I would offer the same qualification to that
12 statement as I offered to the previous. It is not question
13 of no benefit whatever to Saskatoon, the point is that
14 Saskatoon has not received the benefit by any means
15 commensurate with the benefit to other parts of the west.

16 Q. Speaking specifically of Regina?

17 A. Yes, Regina is an example.

18 Q. Well then, did you do a comparative study
19 by cities to which agreed charges applied?

20 A. No, I did not have time for a complete study
21 of cities.

22 Q. Then, paragraph 48 on page 18, you say:

23 "Commodity rates, however, do not show the complete
24 picture since many commodities are shipped on agreed
25 charges. In such a case a commodity rate becomes
26 obsolete but remains in the rate book for the con-
27 fusion of the shipper."

28 Do you still stick behind that statement?

29 A. If you are going to interpret a purpose
30 in leaving it there, no. As regards to the fact shippers
are confused by rates in the book which are obsolete, I



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will stick to that.

Q. Are you aware of the fact when an agreed charge is made that not all shippers are a party to the agreed charge?

A. Yes, it is also my understanding that some agreed charges move the whole of the movement of some commodities in some route, but generally speaking the agreed charge does not cover all the shippers of that particular commodity.



1 A. Generally speaking, I would not know.

2 Q. You don't know?

3 A. Not without knowing how many it does and
4 how many it does not.

5 Q. And, therefore, it is necessary to leave
6 the commodity rate in the tariff?

7 A. In some cases, yes.

8 Q. In practically all cases?

9 A. That I do not know.

10 COMMISSIONER MANN: Mr. McDonald, so the record
11 may be a little clearer, "commodity rate" is a pretty wide
12 term. If it is a competitive rate, and it is there, I
13 would like to tell Dr. Winch that very often the com-
14 petitive rate is removed from the tariff when it is
15 replaced by an agreed charge -- if the commodity rate is
16 a competitive rate.

17 THE CHAIRMAN: An agreed charge is just what it
18 says it is: it is a contract between the railway and the
19 shippers.

20 MR. McDONALD: Yes, that is right.

21 Q. Then, in paragraph 50 on page 19, you make
22 the statement referring back to the first part of your
23 submission on the low transcontinental rates and the
24 suggestion that many are lower than necessary to secure
25 shipments by rail. I think you already told me you had
26 no evidence on that; you could not give any concrete
27 examples?

28 A. I had no specific example which was proof,
29 no.



1
2 Q. Paragraph 52 on page 20: that is where you
3 complain that Regina benefits from more competitive
4 rates than Saskatoon. Saskatoon does not receive the
5 privilege of equal rates with Regina as Calgary does
6 with Edmonton. What is the difference in mileage
7 between Toronto and Regina and Toronto and Saskatoon --
8 about 115 miles?

9 A. One hundred and fourteen, I believe.

10 Q. And, say, Toronto and Calgary and Toronto
11 and Edmonton -- it is about 53?

12 A. Something like that I should think.

13 Q. So the mileage is over double in the case
14 of Saskatoon over Edmonton?

15 A. There is a bigger difference, yes.

16 Q. Paragraph 54, page 21: you state:

17 "This is a clear case of monopolistic
18 price discrimination by the railways, extrac-
19 ting a much higher rate from the city where
20 there is no competition."

21 Again, you are referring to Saskatoon as a city with no
22 competition: do you still want to stick to that statement?

23 A. The statement is made with reference to
24 paragraph 53, which refers to the asphalt products
25 generally, etc. Whether there is competition in the
26 movement of asphalt products from Winnipeg to Saskatoon
27 which is effective competition with the railways, my
28 answer is, in my understanding, no.

29 Q. Is there competition to Regina?

30 A. Yes, I believe so.



1 Q. Why would the railways put in a competi-
2 tive rate to a point where there is no competition?
3

4 It is not a question of extracting a higher rate.

5 A. Who said the railways should put in a
6 competitive rate to the region where there is no compe-
7 titution?

8 Q. You are saying "monopolistic price dis-
9 crimination by the railways."

10 A. That is correct; a monopoly charging
11 different prices in different markets reflecting dif-
12 ferent elasticities of demand.

13 Q. And you say that is monopolistic price
14 discrimination?

15 A. It is a technical term, and that is what
16 it is.

17 Q. So that is a technical term which you
18 shoved in there. You say there may be competition to
19 one point and they get a competitive rate, and another
20 place where there is no competitive rate, they pay the
21 normal rate?

22 A. That is what happens, and that is mono-
23 polistic price discrimination.

24 Q. That is your view?

25 A. That is my definition of the term.

26 THE CHAIRMAN: I think we have the economist
27 and the lawyer talking now -- two different languages.

28 THE WITNESS: Quite possibly, sir.

29 MR. SINCLAIR: One straightforward and the
30 other confused.



1 THE WITNESS: At least I shall continue to
2 be straightforward, Mr. Sinclair.

3 MR. McDONALD: Q. Paragraph 59, page 22:

4 "The rate schedules are cluttered up with
5 obsolete rates which can lead to higher rates
6 than necessary being paid."

7 Are you aware that the railways are continually comb-
8 ing their tariffs for obsolete rates?
9

10 A. I was not aware of that. I might suggest
11 the combing does not unearth every one of them.

12 Q. Have you got some obsolete rates you have
13 come across?

14 A. I can give you an example if I can find
15 it in my brief. In paragraph 51, line 5, the original
16 rate read "267", and there was a correction to "257"?

17 Q. Yes?

18 A. The correction arose because I, myself,
19 with the freight rate schedules and with the aid of the
20 freight rate expert from the Saskatchewan Government
21 spent two hours and could find from the schedules a
22 rate of 267. It took me a further two weeks to find
23 257. If two of us could not find that rate in two
24 hours, I think they are confused, or we are both dim.

25 Q. Of all the rates published in Canada you
26 have one example?

27 A. Also numerous examples of the time it
28 took to find the individual rates we quote, and when it
29 takes that time I suggest the schedules could be a little
30 simpler to follow.



1 Q. I suggest the person looking for it,
2 without any experience, would have to take a little time?
3

4 A. I said the alternative was that I may be
5 dim, but it certainly took a long time.

6 Q. Paragraph 71 on page 26:

7 "If rates were reduced at least to the
8 levels in other parts of the country the impetus
9 to development so caused would bring rapid
10 growth in the volume of freight and more
11 revenue to the railways than they may at pre-
12 sent secure from stunted development at high
13 rates."

14 Are there any products to move if there were lower rates?

15 A. This is, of course, an expression of
16 opinion, and it is not necessarily a short-term project.
17 If you are going to reduce the rate to encourage the
18 development of an industry, you have not got the industry
19 there which would institute the rates, and therefore the
20 products will come when the industry settles.

21 Q. If the industry is not there you are
22 right back to the old problem: if the industry is not
23 there and the product is not there, how can you fix the
24 rate?

25 A. You come back to the problem, if the rate
26 is very high you won't have an industry or a product.
27 So, how do you get the traffic?

28 Q. But you must have the industry and the
29 product.

30 A. I don't see why. You can put in a rate



1 for a commodity that is not there at the moment, if
2 that rate is going to encourage the settlement of
3 industry, which will provide the product.
4

5 Q. So, the railways should put in rates for
6 commodities which are not there at the moment to places
7 all over Canada and the United States in case they
8 should be there?

9 A. Where there is any expectation that the
10 products will develop, yes. When the railway is built
11 there is no railway traffic, so how do you get a schedule
12 in the first place?

13 Q. Are you familiar with the development of
14 the railways in western Canada?

15 A. Vaguely.

16 Q. I don't think you have had any experience
17 in the development in any country?

18 A. No, they were all developed when I came
19 along.

20 Q. But you have got a new idea of publishing
21 rates on commodities that don't exist, and putting in
22 low rates, and you say that would bring forth prosperity?

23 A. I am suggesting the only way to develop
24 new traffic is by having the rate ready for it. If you
25 wait for the traffic, you will never have any rate or
26 traffic.

27 Q. I suggest you should take a little course
28 in the practical aspects of rate making. Thank you
29 very much.

30 ---Short recess.



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Q. Dr. Winch, it would be my purpose to direct the cross-examination to some of the particular matters of the brief and to also deal in a more general way with some of your philosophies and approaches to transportation.

Do you agree, Dr. Winch, that financially sound railways are essential to the economic wellbeing of Canada?

A. Yes.

Q. And you would agree, Dr. Winch, that in railway operations a substantial portion of costs are constant.

A. Constant or fixed costs, yes.

Q. That is, the proportion of variable costs to total costs of the railways is less than, for instance, trucks or airlines.

A. This would depend on how you look at trucks.

Q. I am sorry, Dr. Winch, it is awfully important that I hear you, because if I don't hear you I may necessarily not understand your answer. Now, my question again will be --

A. I heard your question.

Q. Very well. I didn't hear your answer. My question is this: That the proportion of variable costs to total costs is less in railways than it would be in trucks or airlines. Correct?

A. This depends on how you look at trucks. If you look just at the trucks, yes; if you look at road transportation versus rail transportation, then you have to count the highway just as you count the trucks, and I would not say it was less for rail transportation than it



1
2 is for highway transportation.

3 Q. How do you count the highways? Do you count
4 licence fees and gasoline taxes for highway transport
5 as their way costs?

6 A. If we are looking at costs, you look at the
7 cost of constructing and maintaining highways and you look
8 at the cost of constructing and maintaining rail tracks.
9 They are analogous.

10 Q. Is it your position that highway transport
11 in Saskatchewan is paying through gasoline and licences
12 the cost of maintaining and building highways?

13 A. Yes.

14 Q. You have made a study of that?

15 A. Yes.

16 Q. What proportion of the total cost of highway
17 construction and maintenance, snow-clearing, and so on,
18 are the for-hire truckers paying?

19 A. That I don't know. I haven't got a figure.

20 Q. You said you made a study of it.

21 A. I could not give you a figure here and now.

22 Q. Is it your submission to this Commission that
23 they are paying their costs? Do you think that private
24 automobiles, by virtue of their gasoline tax and licence
25 fees, are paying more than their proportionate share of
26 highway maintenance and construction costs?

27 A. I can find no evidence that it is other than
28 a fair share.

29 Q. Would you suggest that the cost of building
30 highways varies with the weight loads that are to move
31 over them?



1
2 A. Yes.

3 Q. And is there a lower or higher cost for
4 gasoline and matters of that kind, dependent upon the
5 weight of the vehicle in Saskatchewan?

6 A. There is not a differential in the tax
7 per gallon, but there does come a differential in the
8 tax per mile in that the heavier vehicle uses more fuel.

9 Q. Are you in favour of user taxes on the
10 highways?

11 A. In what manner?

12 Q. You are aware that it is applied in the
13 United States, in some of the states in the United States?

14 A. Which of the states?

15 Q. Let's take Maryland.

16 A. How does Maryland use it?

17 Q. You have studied it?

18 A. No, I haven't studied it.

19 THE CHAIRMAN: What is the position?

20 MR. SINCLAIR: What they do is take a ton mile
21 tax, dependent on the load of the vehicle.

22 THE WITNESS: The form of user tax is one I do
23 not advocate.

24 MR. SINCLAIR: Q. Why do you not advocate it?

25 A. Because I regard it as an inefficient and
26 ineffective means of taxation; it is very easy to
27 evade, it is very difficult to collect, and that is why
28 I oppose it.

29 Q. The determination of whether a truck is
30 paying its due share of highway maintenance and highway
31 cost is a complicated and difficult study, is it not?



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A. It is. It took me three years.

Q. And after you get through with it most people wrangle about it and there is difference of opinion about it.

A. A lot of people who have not studied it offer opinions.

Q. Do you find that normal in transportation matters?

A. Yes.

Q. And if there were going to be a close definitive study as to whether there was subsidization of highway transport by the state maintaining and building highways, that would be a very, very difficult and time-consuming study, would it not?

A. It would be difficult and time-consuming, yes.

Q. And at the end of it, based on studies you have seen, there would be great differences of opinion which would have to be weighed and dealt with?

A. There would be differences of opinion. I don't know that they would be very great among the experts.

Q. Have you studied the proceedings in British Columbia concerning this matter?

A. I have not studied British Columbia, no.

Q. Have you studied the transcript before the Chevrier Commission in the province of Ontario?

A. No.

Q. Did you make a study in the province of Ontario concerning whether the truck licences and the gasoline tax were carrying their share of highway costs



1
2 and maintenance?

3 A. I examined the problem. I would not like to
4 say that I made a complete and definitive study.

5 Q. And you spent what? - six months on that?

6 A. Something like that, yes.

7 Q. And at the end of the six months you didn't
8 have a definitive study?

9 A. At the end of the six months I had not proved
10 anything conclusively, but I had satisfied myself that the
11 truck tax revenues were bearing a reasonable share of the
12 cost of the highways.

13 Q. It is quite easy to satisfy some people when
14 they are making a generalized approach, and when they have
15 to take the responsibility and definitive action arising
16 from their study, it is a very difficult study to make,
17 isn't it?

18 A. It is easy to satisfy some people. I am not
19 easily satisfied.

20 Q. In view of the fact that the railways have
21 a significant proportion of their costs - constant costs -
22 it would be your view that it is important to maximize the
23 volume of traffic moving above direct costs on the railways?

24 A. To maximize the revenue from traffic above
25 direct costs. It doesn't necessarily maximize the volume.

26 Q. In view of the fact that the railways have
27 a high proportion of constant costs, it would be your view
28 that the railways should maximize the movement of traffic
29 above direct costs on the railways?

30 A. Let me put it to you --

31 Q. I am asking you.



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2 A. The same question, and I am giving you the
3 same answer, that it is important that they maximize the
4 revenue over direct costs, which might be a different
5 thing from maximizing the volume.

6 Q. In view of the fact that the railways have
7 a high proportion of constant costs, it is important to
8 maximize the volume of traffic moving over the railways
9 above direct costs?

10 A. I would say it is important to maximize the
11 revenue, and that may be inconsistent with maximizing the
12 volume.. I have agreed that it is important to maximize
13 the contributions over direct costs.

14 Q. Let me put it to you again --

15 A. I have answered you three times.

16 Q. I don't think you have. It is important to
17 maximize the volume moving over the railways above direct
18 costs?

19 A. I have said it might be inconsistent to
20 maximize revenue and volume, and therefore if it is
21 important to maximize the revenue, you can't maximize the
22 volume..

23 Q. Assuming that they are not inconsistent,
24 then in view of the fact that the railways have a high
25 proportion of constant costs and are securing revenue
26 from the traffic and it is allowed to move freely, it is
27 important to move the maximum volume across the railways
28 above direct costs?

29 A. Your assumption is so unrealistic that any
30 answer would be futile. They are inconsistent. If you
31 assume black is white, what kind of answer do you want?
32 You can't assume they are consistent.

(Page 9200 follows)



1
2 Q. Dr. Winch, it would be your view that
3 the railways should not be inhibited by any regulation
4 from competing for traffic which maximizes railway
5 revenues and railway utilization? That would be
6 correct?

7 A. That would not be correct. That is not
8 my opinion.

9 Q. If the railways are able to secure traffic
10 above direct costs, and that is the maximum amount of
11 revenue that can be secured from that traffic, that makes
12 a contribution to the constant cost and thereby reduces
13 the unit cost of transport moving on the railway? Do
14 you agree with that?

15 A. That is true.

16 Q. Dr. Winch, in view of the essential nature
17 of railway transportation in Canada the freight rate
18 structure, I believe, is one that requires that traffic
19 move over the railway freely; would you agree with that?

20 A. What do you mean by "freely"?

21 Q. That there are no unnecessary inhibitions
22 to the movement of traffic over the railways?

23 A. That there are no unnecessary inhibitions?
24 That is a truism.

25 Q. Therefore the rate making policy and the
26 rate structure should have as its fundamental concept one
27 that will move traffic freely?

28 A. One that will place no unnecessary inhibi-
29 tions, yes.

30 Q. Now, I am going to ask you if it should



1 be the purpose of the freight rate structure to be so
2 designed as to enable traffic to move freely?
3

4 A. Within that meaning of "freely", yes --
5 freely.

6 Q. Dr. Winch, to make traffic move freely
7 on a railway it would be necessary to practise differen-
8 tial pricing in the railway rate structure?

9 A. To a certain extent.

10 Q. Or, to put it in the terms you might like
11 to use, it is necessary, it is essential to practise
12 price discrimination in the freight rate structure?

13 A. Within certain limits, yes.

14 Q. Now, those limits are set by economic
15 tests, in your view?

16 A. Yes.

17 Q. And the floor of those limits is the
18 direct cost of the movement?

19 A. Yes.

20 Q. And the ceiling, in your view, is fixed,
21 I suggest, so that there should not be any misallocation
22 of transport resources?

23 A. Yes.

24 Q. In view of that, I suggest the ceiling to
25 you is not the total cost of rail transport but the total
26 cost of the competing mode of transport?

27 A. I reject the suggestion.

28 Q. I suggest to you that, if misallocation
29 of transport resources is to be avoided it is necessary
30 to fix your ceiling on railway pricing by having the



1 lowest cost carrier available to maximize this revenue?

2 A. What you are suggesting, of course, is
3 that the lower rates pegged by competition, the same
4 rates as the competing carrier -- the higher rates are
5 pegged by the same rate as the competing carrier, which
6 would leave the railways no initiative whatsoever. I
7 do not see the point of such a pricing system.
8

9 Q. I am suggesting there is no misallocation
10 of transportation resources if the ceiling of railway
11 pricing or any other form of transport is the total cost
12 of the competing mode of transport?

13 A. And I reject the suggestion.

14 Q. Would you accept it on having the ceiling
15 the variable cost of the competing mode of transport?

16 A. No, I would reject a reference to the
17 competing mode of transport as a ceiling.

18 Q. Your proposition is to have price discrimi-
19 nation in the railway rate structure between the floor
20 of the railway direct costs and the railway total costs?

21 A. That is correct.

22 Q. I suggest to you that that precludes the
23 railways from pricing realistically in the light of
24 competing transport media -- would you agree with that?

25 A. I would not agree with that. When I
26 say "total cost" I include in total cost a normal return,
27 a fair and reasonable rate of profit.

28 Q. What is a reasonable rate?

29 A. I do not know, maybe six or seven per
30 cent -- something of that nature -- determined and



1 assessed as a reasonable return on capital. That is
2 included in total cost.
3

4 Q. Have you considered this price discrimina-
5 tion outside the limits you have set? You have set
6 them as the total cost of the railways as the ceiling
7 and direct and variable costs as the floor. Have you
8 studied the extension of that beyond those limits?

9 A. I have not made a comprehensive inquiry.

10 Q. Do you know anywhere where that limit is
11 placed on actual pricing?

12 A. Where the limit is placed? As yet, no.

13 Q. So this is a new, bright world that you
14 have got?

15 A. I am glad you think it is bright.

16 Q. I am asking you whether this is a new,
17 bright world you are proposing. It is not used as a
18 basis for rate making anywhere that you know of?

19 A. I agree that it is new and bright.

20 Q. It is not in use anywhere that you know?

21 A. Not to my knowledge.

22 Q. Do you know whether price discrimination
23 in railway rate making is used in a number of places
24 within the limits that I have suggested to you, that
25 is, the floor being variable costs, or direct costs, and
26 the ceiling being the costs of the competing mode of
27 transport?

28 A. I do not know that that particular floor
29 or ceiling would apply either.

0 Q. Have you studied the way rates are made in



1 Canada on the railways?

2 A. No.

3 Q. I was interested, Dr. Winch, as a westerner,
4 in some of your approach to what you term national
5 policy. This is on page 2 and various other places of
6 your brief, and I am going to deal with it specifically,
7 but basically your complaint turns on the fact that
8 Canada is not a free trade nation?

9 A. That is certainly one of my points.

10 Q. That is basic to your development here as
11 to national policy and the effects of national policy
12 on Saskatoon and Saskatchewan?

13 A. Tariffs were basic to the national policy.

14 Q. But that is your basic complaint, that
15 Canada is not a free trade nation?

16 A. I am not complaining that Canada is not a
17 free trade nation. I am not entering into a discussion
18 of tariffs, that is, whether one should or should not have
19 tariffs. What I am saying is that as a result of
20 tariffs distortions have occurred in our freight rate
21 structure, and with this we are concerned.

22 Q. Basic to your complaint is that Canada is
23 not a free trade nation?

24 A. My complaint would not arise in that form
25 if Canada were a free trade nation, but I am not com-
26 plaining of Canada not being a free trade nation.

27 Q. If Canada were a free trade nation, then
28 you would have no basis for suggesting that freight rates
29 are higher than they normally would be?
30



1 A. I do not say I would have no basis. I
2 say one basis of my argument would have been removed.

3 Q. You have suggested, at page 3, that the
4 difference between the rate paid in Saskatchewan -- I
5 take it to be, or maybe this is western Canada?

6 A. It is rather general.

7 Q. Yes, very general -- that the difference
8 in the freight rate paid and the freight rate that would have
9 been paid from natural source of supply -- that is your
10 phrase-- and you say that this is to be regarded as one
11 of the costs of national unity and should be borne by
12 the nation as a whole. Is that correct?

13 A. That is correct.

14 Q. So what you are asking for is a subsidy
15 from the federal government made up of the difference
16 between the rate from what you term the natural source
17 of supply and the freight rate from the Canadian source
18 of supply. Would that be correct?

19 A. Not necessarily. I am suggesting the
20 burden be spread across the nation as a whole which
21 bears the benefit of national unity and pays the cost
22 of national unity. Whether the actual cost is shared
23 in the form of an equitable freight rate structure which
24 imposes the burden equitably across the country, or
25 whether it is done by this or other means, there are
26 different ways of doing it, provided it is equally
27 applied across the whole nation.

28 Q. But it should be borne by the nation as
29 a whole?



1 A. Yes.

2 Q. So we will take Saskatoon as an example.

3 Let us take iron and steel in Pittsburgh versus Saskatoon
4 as against iron and steel from Sault Ste. Marie and
5 Hamilton. The difference in the rate would be a burden
6 on Saskatchewan?

7 A. The difference in the rate, and the dif-
8 ference in the price, if any.

9 Q. The rates have nothing to do with the
10 price. I want to talk about freight rates. Taking
11 this example that I have given you, iron and steel
12 Pittsburgh to Saskatoon, the burden of Saskatoon would
13 be the additional charges, as you look upon them, from
14 Sault Ste. Marie or Hamilton?

15 A. Assuming this is a case where the Canadian
16 route has a higher freight rate.

17 Q. Would it surprise you to know that in
18 this case the rate is substantially lower?

19 A. I am not at all surprised. I would expect
20 you to take such an example.

21 Q. If the railways were not built on the
22 route north of Lake Superior, and if Montreal was to be
23 a source of supply of something for Saskatoon, and
24 therefore the traffic came into Montreal and had to
25 move via Chicago and then back up into Canada, would you
26 think that the mileage Montreal via Chicago to Saskatoon
27 would be longer or shorter than Montreal via Sudbury to
28 Saskatoon? Would you mind looking at the map?

29 A. Looking at the map, my suspicion is



1 that it would be shorter on the all-Canadian route.

2 Q. How much shorter? You can make a rough
3 estimate.

4 A. I am not prepared to measure the map.
5 You presumably have the figure, and I will accept it.

6 Q. You will accept it? It is 367 miles
7 shorter by using the Canadian route. Let us take from
8 Toronto.

9 A. The same applies, presumably, but not to
10 such a great extent.

11 Q. And to Saskatoon by using the American
12 route, it would be 175 miles longer. That ~~is~~ the
13 Canadian route is 175 miles shorter.

14 A. Yes, that is what I would expect.

15 Q. Therefore, Dr. Winch, Saskatoon has
16 gained many things from the building of the railway
17 across the northern part of Lake Superior and the
18 northern part of the lakes?

19 A. Your assumptions -- and I must repeat them
20 because they qualify my answer -- I assume that those
21 movements from Montreal and Toronto are significant and
22 they are movements of those commodities that would take
23 place in a free trade situation, and those commodities
24 would not come from somewhere else -- on those assumptions
25 there is a gain from building the Canadian route.

26 Q. There are a lot of trucks and other things
27 bought in Saskatchewan and in Saskatoon. Would you
28 rather pay the freight rates from, let us say, Detroit
29 or Flint, Michigan, rather than from Windsor, Oakville



1 and Oshawa?

2 A. I would rather pay the lower.

3 Q. Which one would you rather have? Would
4 y ou rather have the cars manufactured in Detroit and
5 Flint, Michigan --and I am only talking about the
6 freight rate -- and you only pay the freight rates from
7 Detroit or Flint, Michigan, to Saskatoon, or would
8 you rather pay the freight rates from Windsor, Oshawa
9 or Oakville?

10 A. I would rather pay the lower rate.

11 Q. Do you know which is the lower?

12 A. I do not know, but I suspect it is the
13 Canadian, or else you would not have put the question.

14 Q. This is one time your suspicions are
15 correct. The Canadian rate is lower. But before
16 you can make a statement such as you have made in
17 paragraph 5, that because of the railway route north of
18 the lakes and the result of this was to result in higher
19 freight charges -- it would require you to make a very
20 close analysis of the entire traffic flows and movements,
21 and I suggest you have not done so.

22 A. I have not done so, but I do not think
23 that would be complete, as there is another factor.
24 What we are taking is the rate in centres after the
25 trade has grown up in a pattern settled by the national
26 policy, and you have to take what the situation would
27 have been if there had not been such a national policy.

28 THE CHAIRMAN: I do not think there is any
29 use in going back into the question of 1881. For better



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or for worse, the railway policy was decided then,
and Canada decided on the all-Canadian route. Our job
is to try to preserve the interests of this country as
we have it.

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2 MR. SINCLAIR: Well, Mr. Chairman, what I am
3 pointing out to this witness is that there are a lot of
4 old saws that are deep in the thoughts of some people
5 that are even repeated by people who have made no analysis.
6 I am pointing out, taking the automotive industry as an
7 example, and I would say in answer to what was said by the
8 witness that the suggestion that the national policy would
9 not have been there and that is the Canadian, fostering
10 Canadian industry, would not have changed the location of
11 the automotive industry in the United States away from the
12 place it was in. I have pointed out to the witness that
13 in that very large segment of traffic that the rates to
14 Saskatchewan, freight rates, would undoubtedly have been
15 higher.

16 THE CHAIRMAN: Well, the problem for this
17 Commission is what to do with Canada as we have it.

18 MR. SINCLAIR: Very well, Mr. Chairman, then
19 I take it the Commission is saying to me they are satisfied
20 that they have had enough information on the point that is
21 dealt with in paragraph 5 of Dr. Winch's brief.

22 Q. Now, at pages 4 and 5, Dr. Winch, of your
23 submission, you become involved in a problem that some of
24 us have had some experience with, and that is the matter
25 of equalization. Through equalization of class rates,
26 Dr. Winch, class rates in western Canada were reduced and
27 class rates in eastern Canada were increased, did you know
28 that?

29 A. That was my impression.

30 Q. And western Canada, under that general state-
31 ment I have made, do you know where that break was?



1
2 A. Where the what was?

3 Q. Where the break was, where the rates were
4 reduced, west of what point?

5 A. I don't know.

6 Q. Would you be surprised to know it was
7 Brandon, Manitoba, and the rates east of Brandon, Manitoba
8 went up?

9 A. No, I would not be surprised, I would think
10 that Winnipeg would be in the eastern half.

11 Q. Do you know why that situation existed,
12 Dr. Winch?

13 A. Yes, because the rates in the west were too
14 high and the rates in the east were too low, that is
15 obvious.

16 Q. I suggest to you it was because of the
17 elimination of constructive mileage of provincial roads
18 between Winnipeg and the head of the lakes. Did you know
19 that?

20 A. No, I did not know. That was your suggestion.

21 Q. I have asked you if you studied the judgment?

22 A. No, I have not.

23 Q. If you study the judgment, you will find that
24 is the reason, I am sure. In view of your study of this
25 matter for some years, some months, you no doubt have looked
26 at the Board's approach to equalization of commodity mileage
27 scales and I am sure you know that the Board have considered
28 some twelve or fourteen commodity mileage scales and would
29 you please assist the Commission by informing them in
30 the equalization of the mileage commodity scales that they
31 have considered, how many of those in western Canada went



1
2 up and how many went down?

3 A. I did not make the study and I do not know
4 the answer.

5 Q. Would you be surprised if you found out that
6 the equalization of commodity scales as given by the Board
7 resulted in higher rates in western Canada?

8 A. Having just told me that the rates in western
9 Canada went down and in eastern Canada went up -

10 Q. Do you not know the difference between
11 commodity and - ?

12 A. I do not know how it changed. I do not know
13 and I would not be surprised if you have the facts.

14 Q. For instance, there is a lot of clay shipped
15 out of Saskatchewan, is there not?

16 A. Yes.

17 Q. By the way, in view of your knowledge of
18 Saskatchewan, would you mind assisting the Commission by
19 just saying what part of Saskatchewan that clay moves
20 from?

21 A. I am afraid I cannot assist the Commission.
22 I am not a geographer.

23 Q. You are a transportation economist?

24 A. I am an economist.

25 Q. You do not know where it comes from in
26 Saskatchewan, do you?

27 A. No, I do not.

28 Q. I will suggest to you that was one scale
29 that the rates on clay were increased in the west. Stone
30 was another one, cordwood. Scrap iron and steel, that is
an important matter in Saskatchewan, the movement of scrap



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iron and steel.

A. I suspect it is important, yes.

Q. All the farm machinery that becomes obsolete or worn out and all the cars that are worn out, that become obsolete, have to be disposed of and that is a considerable volume in Saskatchewan.

A. Yes, I suppose it is. May I say at this stage I have not made a study of individual rates in the book and I shall not be surprised by what you tell me. I can answer your question before you ask me.

Q. Well now, Dr. Winch, I know you spent a long time studying this and you have had a bit to say about equalization, you have also had a bit to say about rates in the west being higher, and I am going to find out how intensive your study was and I think that is quite proper. Now, have you considered whether there were any specific commodity rates that the Board looked at to see if they could be equalized?

A. I have not examined individual judgments or examinations of the Board.

Q. Well, for instance, fresh fruit, lumber, move in considerable volume in western Canada, do they not?

A. Yes.

Q. Would you think that if you equalized the specific commodity rate on fresh fruit and lumber west and east, that that would result in lower rates for western Canada.

A. I do not know, I have not studied it.

Q. Well, in view of the fact that you are of



1
2 the view that rates are higher in western Canada, I am
3 now dealing with two very large moving commodities in
4 western Canada, and I would like you, based on your over-
5 all feel of the transportation policy, the transportation
6 rate structure in Canada, to express an opinion. What
7 would you say your suspicion was?

8 A. My suspicion would be that in some cases
9 the rates in western Canada might be lower than in eastern
10 Canada; in many cases they may be higher and the subject
11 deserves study. I have not had time to study it and I
12 will not give any prejudged opinion on a study before I
13 make the study.

14 Q. Let us take these two commodities that move
15 in large volume, fresh fruit and lumber, what would your
16 suspicion be about the level of these rates in western
17 Canada?

18 A. They deserve examination.

19 Q. Could you give assistance which would be
20 higher or lower?

21 A. No.

22 Q. Before I forget I would like to have an
23 expression of opinion for the assistance of the Commission
24 from you, Dr. Winch: Do you think that the domestic grain
25 mileage scale east and west should be equalized?

26 A. Domestic grain mileage scale?

27 Q. Yes.

28 A. I am not familiar with the scale.

29 Q. I am asking you -- never mind the scale --
30 do you think it is a matter that should be equalized?

31 A. Well, if I do not know what the scale is,



1
2 I cannot tell you what you should do with it. I am not
3 saying every rate should be equalized.

4 Q. Do you think that mileage scales should be
5 equalized east and west?

6 A. Not having studied it, I do not have an
7 opinion. I am not saying that every class of rate should
8 be necessarily equalized and if you take them one at a
9 time you will not get me to say yes.

10 Q. Are you in favour or against equalization
11 of freight rates?

12 A. Equalization is rather a nebulous term. I
13 am in favour of putting them on an equitable basis.

14 Q. Well, you went to school a long time and if
15 you think that the words "equalization" and "equitable"
16 means the same thing, then I am surprised. I am asking
17 you whether you are in favour of equalization of freight
18 rates in Canada. Now, this is an easy question and I
19 think you should answer it.

20 A. I will answer it if you tell me what you
21 mean by "equalization".

22 Q. That is placing the rates on the same basis
23 mile for mile east and west. Now, it cannot mean anything
24 else and I think -

25 A. I have already answered it by saying you
26 must have room for some price discrimination or distribu-
27 tion.

28 Q. Do you think class rates should be equal-
29 ized west?

30 A. They should not because they are already
equal.



1
2 Q. Do you have them now?

3 A. It is already done.

4 Q. Are you in favour of having equalization of
5 class rates?

6 A. Yes.

7 Q. Do you think commodity mileage scales
8 should be equalized east and west?

9 A. Not without studying it, no.

10 Q. Why do you think class rates should be
11 equalized but commodity mileage scales should not be
12 equalized?

13 A. Because persons with more experience than
14 myself have studied the class rates and decided to
15 equalize them. I can see no reason for criticizing their
16 judgment.

17 Q. And you think the freight rate structure
18 should be based on cost?

19 A. In part, yes.

20 Q. Only in part?

21 A. Well, it is not the only consideration.

22 Q. Would you think that the cost determination
23 should fix the level of class rates?

24 A. It should be one consideration, yes.

25 Q. And it would be the major consideration?

26 A. It would be an important consideration.

27 Q. What other consideration would there be?

28 A. The competition element would certainly be
29 there.

30 Q. Let us leave aside the competitive element,
and other than competitive elements, what other factor



1
2 would be taken into account under your scheme other than
3 cost to fix class rates?

4 A. Well, if one is leaving out the competitive
5 element, then we are discussing only non-competitive and
6 you come to my ceiling of cost which would be the only
7 determinant.

8 Q. It would be the only one in your scheme?

9 A. I can think of no other at the moment.

10 Q. At the moment you cannot think of any other.
11 Well, there is no other on the basis that you have it
12 before this Commission, is there?

13 A. I can at the moment think of no other, no.

14 Q. Your answer we will take. So, therefore,
15 if costs vary in regions or on various routes, you could
16 not have equalized class rates, could you, under your
17 scheme?

18 A. You would have other classes than regions,
19 than comparative regions, but -

20 Q. I am sorry.

21 A. Within comparable regions I might agree with
22 you, you would not have complete equalization on so much
23 per ton mile for anything and at the same time reflect the
24 cost. They are in fact contradictory.

25 Q. And the same thing would apply to commodity
26 scales?

27 A. The same thing would apply to any rates in
28 which you bring in the competitive element.

29 Q. So for your scheme which you have put before
30 this Commission to be operative it would mean the equal-
ization of class rates; would they be abandoned?



1
2 A. It would mean an over-all study, it would
3 certainly be subject to revision.

4 Q. Would they be abandoned just as easy as that,
5 would they be abandoned?

6 A. If as a result of this study and the present
7 recommendations are found to be good ones, yes, it would
8 be.

9 Q. And the equalization sections of the Railway
10 Act that is now here should be repealed?

11 A. If those are the results of the study, yes.

12 Q. They are not the results of the study, the
13 results of the application of the principal that you
14 enunciated and that is that all rates should be fixed on
15 cost.

16 A. I enunciated a principle that we would all
17 examine the problem. I have suggested a complete re-
18 appraisal of the freight rate problem, and I have suggested
19 that all things be looked at. I have not laid it down
20 categorically as the answer.

21 Q. You are not saying that the freight rate
22 structure is one based on cost alone, aside from competi-
23 tion?

24 A. No, I am saying it is one, from a comprehen-
25 sive study, costs are one of the major things in that
26 study - they are not the answer, they are one of the major
27 things to consider.

28 Q. This brief is recommending that the freight
29 rate structure must be based on costs?

30 A. Not necessarily on costs alone, we do not
know until we study it. I have recommended a study, not



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the answer to the study.

Q. I thought you were recommending the answer.

A. I was recommending one way of looking at one thing in the study.



1 Q. You suggest, Dr. Winch, that there is
2 subsidization ---

3 A. I think I said "subsidy", but not "subsi-
4 dization".

5 Q. No; "subsidization", if you will listen
6 to my question. You suggest there is subsidization by
7 virtue of the fact that there are low competitive rates
8 and that these are more predominant in the east than in
9 the west. You are familiar with the Board's Waybill
10 Study. Will you follow this with me, and I am looking
11 at page 3 of the Board's Waybill Study for 1958, and I
12 am dealing with the classification that is set out under
13 commodity rates, and that includes non-competitive,
14 competitive, agreed charges and statutory, and will you
15 follow along with me:
16

17 Average revenue per ton mile.

18 Length of haul, and car mile revenue for
19 each of those commodities.

20 We will do them putting the highest first.

21 Agreed charges:

22 Average revenue per ton mile -- 2.47 cents.

23 Length of haul, 348 miles.

24 Average revenue per car mile, 61 cents.

25 Competitive rates:

26 Average revenue per ton mile, 2.07 cents.

27 Average length of haul, 295 miles.

28 Car mile revenue, 62 cents.

29 Non-competitive commodity rates:

30 Average revenue per ton mile, 1.78 cents.



1 Average length of haul, 320 miles.

2 Average revenue per car mile, 68 cents.

3 Statutory grain rate traffic:

4 Average revenue per ton mile, .50 cents.

5 Average length of haul, 852 miles.

6 Average car mile revenue, 27 cents.

7 In the light of those figures that we have looked at
8 together, which traffic in your opinion, is subsidizing
9 the other?

10
11 A. I would say that as far as the first
12 three types of traffic are concerned, there appears to
13 be very little in it. As far as the statutory grain
14 rates are concerned, this is a complex issue with many
15 arguments besides costs, and I have already stated I
16 have not examined it, and I have no instructions from the
17 Board and the City on it, and I have no opinion to
18 express.

19 Q. You are suggesting that competitive rated
20 traffic is being subsidized by other traffic?

21 A. Yes.

22 Q. In the light of the figures I have given
23 you, how is competitive rated traffic -- that is,
24 competitive rates and agreed charges -- being subsidized
25 by other traffic? What other traffic is subsidizing
26 them?

27 MR. DOHERTY: Mr. Chairman, I think it is
28 pretty clear that the witness has given his answer to
29 the question. I can't see any point in pursuing it. He
30 has stated he has not made a study of the Crow's Nest



1 situation.

2 MR. SINCLAIR: This has not got anything to
3 do, maybe, with the Crow's Nest situation.
4

5 THE CHAIRMAN: I think that question is all
6 right.

7 MR. SINCLAIR: Q. How, in the light of the
8 figures I have given to you from the Board's Waybill
9 Analysis, how is other traffic subsidizing traffic moving
10 at competitive rates and agreed charges in the light of
11 the revenues this study shows?

12 A. In so far as the competitive rates very
13 largely do not cover total costs, even though they may be
14 compensatory in the sense of covering direct costs, there
15 is a deficit between the revenues which they receive and
16 total costs. Some other traffic pays rates which do
17 cover total costs, and some more than that, which means
18 that there is a system where some traffic is showing a
19 profit that is meeting the losses on some traffic, and
20 the "some traffic" with the losses is competitive rates.
21 In that sense, and in that sense alone, is there a
22 subsidy.

23 Q. How are you saying, in the light of the
24 average revenue per ton mile on agreed charges, for
25 instance, being 2.47 cents, that that is not meeting
26 its total costs? I suggest it is more than meeting
27 its total costs.

28 A. I am suggesting that ---

29 Q. Would you agree with my suggestion, that in
30 the light of the fact that agreed charge traffic is



1 . earning 2.47 cents per ton mile, that that traffic is
2 more than meeting its total costs of movement on the
3 railway?
4

5 A. I can't say that without you giving me
6 the figure of costs.

7 Q. In the light of your study of railway
8 operations, what would you think would be the average
9 total cost of moving traffic 300 miles on a Canadian
10 railway?

11 A. It depends where you are moving it and how.
12 I haven't done a costing study and I don't know your cost
13 figures.

14 Q. You have done lots of studies of the trucks:
15 what would you say would be the average variable cost of
16 truck transportation, let us say for 20 tons -- I will
17 make it easy: I will make it ten tons. What would be
18 the average total cost of truck traffic per ton mile on
19 20,000 pounds?

20 A. It would depend on a number of factors.
21 I can't give you a single answer.

22 Q. Well, in Saskatchewan, for instance?

23 A. It would still depend on a number of factors,
24 and I haven't data with me.

25 Q. Let us deal with variable costs of trucking.
26 In view of your study of transportation and the statements
27 that you have made, would you agree that variable cost
28 of trucking transport, a ten-ton load, 300 miles, would
29 be around 3 cents per ton mile?

30 A. It would depend on how you define "variable



1 costs".

2 Q. Variable costs are the costs that vary
3 with the added increments of traffic.

4 A. Would you include in "variable" simply
5 the gasoline and oil and driver's wages?

6 Q. And the cost of all things connected with
7 the movement of the traffic, including highway costs?

8 A. You would say the highway costs are
9 variable?

10 Q. Yes.

11 A. Well, this is a queer definition of
12 "variable". I have never looked at that; I have no
13 definition on that.

14 Q. You don't think highway costs are variable,
15 with traffic moving over them?

16 A. I certainly would not say they are a
17 variable cost of trucking movements.

18 Q. If the truck does not take out a licence,
19 and gasoline is not burnt in the truck, then that is a
20 variable cost, and there is no other cost but highway
21 revenues?

22 A. Highway tax revenues are a completely
23 different thing from highway costs.

24 Q. Let me ask you about the variable costs,
25 and that is the costs paid by the trucking industry for
26 the movement of traffic: that is including the licence
27 fees?

28 A. Licence fees are not variable with the
29 single movement of traffic.
30



1 Q. Now, Dr. Winch, you surely don't look
2 upon direct costs as varying with the single movement
3 of traffic? You look upon them on a long-term basis,
4 and no other economist has ever tried to look upon
5 variable costs other than on a long-term basis. Do
6 you look on them as a single movement?
7

8 A. Any economist who looks on variable costs
9 on a long-term basis, does not look at variable costs;
10 he looks at total costs, because on a long-term basis
11 there are not any fixed costs. I never look at
12 variable costs on a long-term basis, because when I am
13 distinguishing "long" from "fixed", I am in a short-
14 term situation.

15 Q. That is the way you look upon the distinc-
16 tion between variable and constant?

17 A. Yes.

18 Q. You say variable and constant costs
19 over a long term are the same?

20 A. In the long term all costs are variable;
21 that is the easiest way of putting it.

22 Q. You don't distinguish between costs that
23 vary and costs that do not vary with units of traffic?

24 A. Yes, I do, but it is a short run analysis.

25 Q. What would you call a short run -- a five-
26 year analysis?

27 A. Anything between a very short run and a
28 long run, if you want to know how economists work.

29 Q. Well, what I want to know is, what would
30 you think are the variable costs of truck transport,



1 300 miles, 20,000 pounds?

2
3 A. It depends what truck you are using, and
4 where.

5 Q. In Saskatchewan?

6 A. It depends how long a period of time you
7 are taking, and what you define as "variable costs".

8 Q. In Saskatchewan what would be the variable
9 cost of truck transport for a 20,000-pound load?

10 A. I have told you eight times, Mr. Sinclair,
11 that there is no single answer to that question, in my
12 opinion. My opinion is that there is no single answer.

13 Q. Is it your suspicion, Dr. Winch, that the
14 trucks in Saskatchewan are moving traffic below their
15 variable costs?

16 A. That is not my suspicion. I have no
17 evidence of that.

18 Q. You may not have any evidence, but that
19 doesn't stop you, as you have proved, from having
20 suspicions?

21 A. I have no suspicions.

22 THE CHAIRMAN: We will adjourn till two
23 o'clock.

24
25 ---Luncheon adjournment.



---On resuming at 2.00 pm.

THE CHAIRMAN: Order, please, gentlemen.

MR. SINCLAIR: Q. Dr. Winch, just before lunch we were discussing the average revenue per ton mile on various categories of traffic that, from the Board's Waybill Analysis, is covered by the general class commodity rates. It shows the average revenue per ton mile on agreed charges - I am reading from page 3 of the Board's Waybill Analysis, 1958 - was 2.47 cents, with a haul 348 miles, and for non-competitive commodity rates the average revenue per ton mile was 1.78 cents, with an average haul of 320 miles. In the light of those figures, Dr. Winch, it could quite probably be that the internal subsidization that is in the rate structure in Canada would mean that the agreed charges are subsidizing non-competitive commodity rates. Correct?

A. If you take only those figures and assume that those groups between them are covering their full costs, that is so.

Q. I would ask you to make this assumption with me, that the assumption is that full costs would be covered by the agreed charges and they would not be covered by the non-competitive commodity rates, then the internal or cross-subsidization would be moving from the agreed charge traffic to non-competitive commodity rate traffic.

A. Only if the agreed charges were covering more than their total cost.

Q. If you assume that the total costs on the railway for a haul of something in excess of 300 miles



1
2 is around 2.4 cents, then that would be so, wouldn't it?

3 A. If you have assumed it, you have assumed it.

4 Q. Are you going to suggest to this Commission
5 that 2.48 cents average revenue per ton mile would not
6 cover full cost?

7 A. I don't know. I haven't any data on full
8 costs.

9 Q. What would be your feeling?

10 A. My feeling would be that if you want full
11 costs you would have to make a study to find them.

12 Q. Let's talk of traffic excluding statutory
13 grain traffic. I suggest to you that the average revenue
14 for all traffic moving on the railway, excluding statut-
15 ory grain traffic, is something under 2 cents per ton mile.

16 A. No, I did not know that figure.

17 Q. I would ask you to compare that figure
18 with the agreed charge average per ton mile of 2.5 cents
19 per on mile, and I would suggest to you that that indi-
20 cates that there is cross-subsidization from the agreed
21 charge traffic to the non-competitive commodity rated
22 traffic?

23 A. It indicates that two cents is less than
24 two and a half cents. I can't say anything about the
25 subsidy until I know the level of costs. I don't know
26 the level of costs.

27 Q. Let me go into it with you in this way.
28 You are suggesting, page 8 of your submission, that the
29 railways are not maximizing their revenues from competit-
30 ive rates and agreed charges, and I suggest to you that
in saying that -- you have made this clear -- you have



1
2 nothing to guide you except what you term a suspicion.
3 Now, my question is this: Did you know that similar sus-
4 picions were advanced to the Turgeon Commission by certain
5 people who also advanced to the Board of Transport Commiss-
6 ioners, as a result of submissions to the Turgeon Commission,
7 the section of the Railway Act being section 334 that you
8 are looking at, and as a result of the submissions, the
9 suspicions being advanced to the Board of Transport Com-
10 missioners in 1952, they made a study through one of their
11 senior traffic officers, namely, Commissioner Knowles, and
12 he made a report to the Board in which he found that while
13 the railways, as would be expected, and their traffic
14 officers were not perfect, generally speaking he found -
15 I am reading from the judgment of the Board, the so-called
16 seventeen per cent case of January, 1952, at page 19:

17 "....from my examination of the files of the Canadian
18 Pacific, it is quite apparent that, by and large,
19 the railways have an efficient organization for keep-
20 ing control of competitive rates."

21 Would you disagree with that finding of the
22 Board of Transport Commissioners?

23 A. I would never presume to disagree with their
24 finding, but they have done a study.

25 Q. If you had known of that study, would you
26 have changed the remarks that are at page 8 of your submis-
27 sion?

28 A. No, I should not.

29 Q. Notwithstanding a study done by the Board,
30 you still have your suspicion. Is that the way to summarize
it?



1
2 A. I would suspect that the criteria used by
3 the Board is perhaps not the same criteria that I would
4 use, and they perhaps studied cases I would not study.

5 Q. And if it is a fact that they have a res-
6 ponsibility under the statute to see that competitive
7 rates were remunerative, you say they wouldn't have done
8 it in a proper way?

9 A. No. If they are using the criterion that
10 the rates are remunerative and have come to the conclusion
11 that they are remunerative, I would accept the judgment of
12 the Board. But as to maximizing revenue over direct costs,
13 which is one of my criteria, that, I suspect, they were not
14 using.

15 Q. It says:

16 "The rates are not lower than necessary to meet the
17 competition."

18 That is the statute.

19 A. And did the Board undertake a full inquiry
20 with that in mind?

21 Q. Obviously that was the law that they were
22 required to enforce. If you look over the page you will
23 see that became law in 1951. Now, in the light of those
24 facts I have drawn to your attention, I would ask you
25 again to inform the Commission whether, if you had known
26 of these facts, you would have made these submissions
27 you have made on page 8 of your submission?

28 A. I would still have made the same submission,
29 because I do not hold that rates not lower than necessary
30 to meet competition are the same thing as maximizing
net return over direct costs. They are not the same thing.



1
2 Q. In what way - that is not lower than neces-
3 sary to meet the competition and are remunerative to the
4 railways, that is they make some contribution to constant
5 costs - in what way are they not maximizing the net revenue?

6 A. As I see it, you do not lose all of your
7 traffic in one go, just as one break-up point in the
8 rate structure, it is a gradual process, but as your
9 rate goes up in the rate level you might lose some traffic.
10 Therefore one might well have a rate low enough to meet
11 competition in the sense that you are losing a very
12 little of the traffic to competition, whereas a higher
13 rate still might make a much greater contribution to
14 overhead on the traffic that is left at higher rates.

15 Q. You are suggesting that the traffic officers
16 of the railways, in assessing the matter, are going to be
17 not astute enough and knowledgeable enough to maximize
18 the revenue by fixing the level that they do. Is that
19 your submission to the Commission?

20 A. My suspicion has arisen from my examination
21 that it is not done. It is a suspicion, but I cannot
22 prove it.

23 Q. Are you suggesting that the traffic officers
24 of the railways are not knowledgeable enough, practical
25 enough to fix a rate level that will maximize the net
26 revenue of the railways?

27 A. If it has not been done, then the railway
28 officers, presumably, have not done it. Why - I am not
29 prepared to psychoanalyze them.

30 Q. That is your answer to that question?

A. Yes, that is.



1
2 Q. Now, on page 8 and also page 9, Dr. Winch,
3 you become extremely critical, and I suppose this is a
4 proper professorial approach, if I may say it that way,
5 of the railway costing. But I think you earlier said
6 today that you didn't have any knowledge of what the
7 costing methods and techniques of the railways in Canada
8 really were.

9 A. What I said was that the costing data
10 offered to me was inadequate. Now, what the railways
11 had which was not available to me, I do not know.

12 Q. But then you go on at the top of page 9,
13 paragraph 22, to suggest that it is high time that
14 Canadian railways did more work in the costing field,
15 and you made reference to the work on cost accounting
16 by the British railways.

17 A. Yes.

18 Q. You would be surprised to know, Dr. Winch,
19 that the traffic and costing analysts of Canadian Pacific
20 have been in very close touch with the British costing
21 people, and after full inquiry have come to the definite
22 conclusion that the costing methods adopted in Great
23 Britain are not adequate, or refined or nearly as adequate
24 for the Canadian scheme as the techniques which are being
25 used in this country. Would you be surprised to know that?

26 A. I would not be surprised to know that the
27 techniques used in Britain are not quite appropriate to
28 Canadian conditions. If you mean that the cost accounting
29 in Canada is more advanced than in Great Britain, then it
30 means that they have data which is not available to
people outside the railways. I do not have the data.



1
2 Q. It would be of assistance to the Commission,
3 I am sure, if you would give them your views, and on
4 account of your close association with Great Britain to
5 tell the Commission whether it is your opinion that the
6 pricing policy followed by the British railways under
7 their cost accounting methods have resulted in an effi-
8 cient and financially sound railway system in Great Britain?

9 A. I have not analyzed the British railway
10 system or made any rate studies of the British railway
11 system.

12 Q. I have taken a look at a number of the
13 annual reports of British Railways for a number of years,
14 and I am sure you have had, too.

15 A. Your assumption is incorrect.

16 Q. Well, you would have some general knowledge
17 of the situation in Great Britain. So if I may give
18 these figures, the annual reports show a deficit in 1956
19 of £57.5 million, and in 1957 of £68.1 million, in 1958,
20 £90.1 million; an estimated deficit for 1959, which is
21 now public, is in excess of £80 million, and the estimated
22 deficit under the last government inquiry for 1960
23 published last week is something in excess of £100 million.
24 Is it your suggestion to this Commission that the excellent
25 costing work that you seem to think is being done by the
26 British railways and the method by which they have
27 approached this matter of railway pricing and railway
28 operation should be adopted in this country in light of
29 the results in Great Britain?

30 A. I am not suggesting that, and I have not made
a statement that English rate-making practices are perfect



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or anything else. I have merely referred to one fact that is established in cost accounting in British railways. One fact doesn't make a pricing system.

THE CHAIRMAN: What is the source?

MR. SINCLAIR: These are the annual reports and accounts of the British Transport Commission, and the estimate for 1959 is from the Times, and the 1960 estimate is from this latest government report which was published last week and of which there have been some newspaper publications. I am arranging to get a copy of them and I will file them with the Commission.

COMMISSIONER BALCH: And it is not because of high wages paid there.

MR. SINCLAIR: That is certainly correct.

(Page 9240 follows)



1 THE CHAIRMAN: There is another increase in
2 the rates.

3 MR. SINCLAIR: They have had wage increases
4 and price increases -- there is no doubt about that --
5 over the past two or three years and in the period I
6 have dealt with.

7 THE CHAIRMAN: And in the last few months.

8 MR. SINCLAIR: Yes, they have had some then.
9 They are not immune from rising costs. I think
10 Commissioner Balch was talking about absolute levels.

11 THE CHAIRMAN: They are much lower.

12 MR. SINCLAIR: And much lower relative to the
13 wage level of the country as a whole than they are in
14 Canada, and I think that is what Commissioner Balch had
15 in mind.

16 MR. CUMMING: Perhaps Mr. Sinclair would be
17 good enough to file copies of these.

18 MR. SINCLAIR: It would mean I would have
19 to write to England to get all the annual reports.

20 MR. CUMMING: I assumed he had them.

21 THE CHAIRMAN: As long as we get the information.

22 MR. SINCLAIR: I will give it to the Commission
23 staff when we get this other report.

24 Q. On page 9, you make a statement, Dr.
25 Winch, in paragraph 23:

26 "Competitive rates necessarily do not cover
27 total costs, otherwise standard rates would be no
28 higher than the competitive rates."

29 Now, I would ask you to reflect on that statement and
30



1 after reflection ask you if you would not wish to
2 change it, because I must say to you that I think it is
3 about the silliest statement I have ever read. So
4 would you take a good look at it?
5

6 "Competitive rates necessarily do not
7 cover total costs, otherwise standard rates
8 would be no higher than the competitive rates."

9 A. Perhaps if I give you the line of
10 reasoning that led to that sentence you might see why
11 I reached that conclusion. That is, if it were possible
12 to charge standard or normal rates on the traffic on
13 which one at present charges competitive rates, the
14 revenue from that traffic would be greater than it at
15 present is. If you put that together with the revenue
16 from normal rated traffic, there would presumably be
17 a profit shown by the railways on that traffic. If
18 there is not then a considerable profit shown by the
19 railways, which would of course reflect the normal
20 rates, usually showing a considerable profit, then when
21 you reduce certain rates to a competitive level that is
22 below the level that just shows a profit, you will make
23 a loss.

24 Q. You did know that price discrimination,
25 differential pricing, as we have called it in this
26 Commission, is practised in the railway rate structure?
27 You knew that?

28 A. I knew that.

29 Q. Standard rates -- that is, class rates ---
30



1
2 A. And commodity rates.

3 Q. Well, I do not know why you call commodity
4 rates standard rates?

5 A. I use the term "standard" -- that is what
6 I believe is the normal term, "normal".

7 Q. That would include class and commodity
8 rates?

9 A. Yes, standard rates and normal rates.--
10 the two are synonymous.

11 Q. Therefore, in view of the very small impact
12 of class rated traffic, if competitive rates and agreed
13 charge rates were earning more than the average from
14 class and commodity rates properly weighted for traffic
15 moving under each, your statement would be wrong, would
16 it not?

17 A. I do not quite follow that question.

18 Q. If the average revenue per ton mile arising
19 from agreed charges and competitive rates were higher
20 than traffic moving on commodity rates, then if the
21 normal rate is the commodity rate how could you have the
22 competitive rated traffic at a lower level than your
23 so-called standard level?

24 A. On the assumption that one is lower than
25 the other, in the way you have put it, it means that when
26 you establish a competitive rate it goes up from what it
27 was previously. That is not my understanding of a
28 competitive rate.

29 Q. What you do not realize, and it is rather
30 surprising that you do not, in view of the time you have



1 spent on this, is that under the Canadian method of
2 fixing rates the class rates are prescribed by the Board
3 of Transport Commissioners as maximum rates. Did you
4 know that?

5 A. Yes.

6 Q. And they do not prescribe any other freight
7 rates. Did you know that?

8 A. They control ---

9 Q. I said "prescribe".

10 A. Yes.

11 Q. And that a commodity rate may be a per-
12 centage of a class rate as a mileage scale or it may
13 have been fixed for many years in relation to the re-
14 quirements to move traffic?

15 A. In other words, in relation to competition.

16 Q. In relation to market competition or any
17 other type of competition?

18 A. So really your commodity rate is a form of
19 competitive rate.

20 Q. It could well be, but the real competitive
21 rates in regard to market competition, the so-called
22 competitive rates in this Waybill Analysis and the
23 agreed charges are on the average higher rates than the
24 so-called normal rates -- you did not realize this?

25 A. I did not realize that when competition
26 forces a rate reduction the rate goes up. I did not
27 realize that.

28 Q. That shows, of course, how you do not
29 even listen, Dr. Winch, if I may say so. What I am
30



1 saying to you is that there is only one prescribed rate.
2 You did not know that? That is, the class rates?
3

4 A. Yes.

5 Q. And the other rates are below it?

6 A. Below it?

7 Q. Below the class rates?

8 A. Class rates are normal.

9 Q. The class rates are maximum.

10 A. They are also within your classification
11 of normal rates.

12 Q. My classification?

13 A. I believe that railway literature has
14 at times referred to normal rates.

15 COMMISSIONER MANN: I have an impression -- and
16 it may be wrong -- that you, Mr. Sinclair, and Dr. Winch
17 are running at cross purposes. You are looking at the
18 whole bundle of competitive rates, and I have a suspicion
19 that Dr. Winch is looking at a movement, comparing the
20 moving under competitive rates and then looking at the
21 rate which in the absence of that commodity rate would
22 apply, whereas you are looking at the whole bundle.

23 MR. SINCLAIR: I am looking at the rate
24 structure as a whole, as I think Dr. Winch said that he
25 had not made any specific rate adjustment, and for that
26 reason I have been dealing with the thing on a broad
27 basis, and I think that is the only way to do it.

28 THE WITNESS: That is correct.

29 COMMISSIONER MANN: I just wanted to make
30 sure of that.



1 MR. SINCLAIR: I think we are talking about
2 them in general.

3 THE CHAIRMAN: You are talking of the com-
4 modities in one bunch, and of the competition in another?

5 MR. SINCLAIR: All the agreed charges in
6 another.

7 THE WITNESS: May I repeat my argument that
8 if one has a level of rates -- call them class rates
9 for the moment -- which are the maximum prescribed
10 rates, and one has numerous other types of rates which
11 are lower than those, then if on the whole the railway
12 is not showing a profit it may not be the lower rates
13 which are making the loss. That is my line of argu-
14 ment.

15 MR. SINCLAIR: Q. Dr. Winch, is it your
16 view that Canadian Pacific Railway is not showing a
17 profit from its railway operations? Is that your view?

18 A. It is my view that one of your complaints
19 is that they tend to make losses.

20 Q. I am asking you whether it is your view
21 that the Canadian Pacific Railway is not making a
22 profit out of railway operations? That is what you
23 think, is it?

24 A. I do not know, quite frankly, how much
25 profit you are making.

26 COMMISSIONER ANSCOMB: Do you know whether it
27 is making any profit? That is the point he is asking.

28 THE WITNESS: Taking the all-round operations
29 on the Canadian Pacific Railway, I believe there is a
30 profit.



1 MR. SINCLAIR: Q. Would it be a sub-
2 stantial profit?

3 A. I would not like to express it in dollars.

4 Q. If the railways were making a profit, let
5 us say, not as large as it should make but was making
6 a profit?

7 A. Yes.

8 Q. And it was making that profit notwithstand-
9 ing that grain was only earning 27 cents a car mile and
10 earning half a cent per ton mile for its movement, that
11 would have had a material bearing on the way you would
12 have approached this problem, would it not, if you had
13 recognized that fact?

14 A. That would suggest that, if on the over-
15 all basis there is a profit, on the statutory basis there
16 is a considerable loss, then on all the rest there must
17 be a considerable profit.

18 Q. Thank you. Now, it is your theory --
19 this brave, new world we were talking about earlier --
20 that any competitive rate or agreed charge rate that
21 was making more than total cost should be reduced to
22 total cost?

23 A. That total cost included a reasonable rate
24 of profit.

25 Q. Yes. You would reduce those rates?

26 A. Yes.

27 Q. And if it was necessary to have a com-
28 modity rate, a specific commodity rate, a point to point
29 commodity rate, to move traffic that was making a
30



1 contribution over direct costs but was not meeting
2 total costs, then under your theory that specific
3 commodity rate should be increased to total costs?

4 A. No.

5 Q. Or if it is not to be increased to total
6 cost then the difference between the rate charged and
7 the total cost would be covered by a subsidy?

8 A. Not necessarily. One would then be in
9 the position where the railway made no more than a nor-
10 mal rate of profit on any movements and it would not
11 make its normal rate of profit and might make a loss on
12 some. That would leave the railway with a deficit.
13 One would then be faced with a choice of either allowing
14 a railway to stop carrying any traffic which is not
15 making a profit or, if it is considered in the national
16 interest that they keep carrying it without a profit,
17 a subsidy should be provided.

18 Q. If the railways are able to improve their
19 net revenue and allow traffic to move freely with
20 specific commodity rates that have internal subsidiza-
21 tion from agreed charges or competitive rates, why
22 would you suggest to this Commission that they should
23 recommend such a principle of rate making?

24 A. You have now changed your assumption and
25 you are saying that competitive rates do not cover
26 total costs.

27 Q. No, I am saying just the opposite. I
28 will do it again. If specific commodity rates were
29 not meeting their total cost ---
30



1 A. That is on the assumption ---

2 Q. Just listen, if you do not mind. Take
3 the case where the specific commodity rate -- take a
4 large tonnage of material moving in Saskatchewan. Let
5 us get right down to pulpwood -- any commodity that you
6 like to take in Saskatchewan. We will take pulpwood.
7 If pulpwood rates in Saskatchewan do not meet their
8 total costs but do meet their direct costs and make some
9 contribution to overhead, under your scheme of rate
10 making that rate could not be maintained by the railway
11 as a profitable rate?

12 A. If it does not meet total cost and it
13 cannot be made to meet the total cost because of com-
14 petitive element -- it does not cover total cost

15 Q. Under your scheme of rate making you
16 would prohibit the railways from subsidizing any
17 specific commodity rate by the amounts that they charge
18 the traffic, that competitive rates make over total
19 costs?

20 A. Yes. I would object to charging over
21 total cost on some to make up the profit on the others.

22 Q. Do you think that would assist the develop-
23 ment of Canada, to prevent the competitive rates and
24 agreed charges from contributing something to the movement
25 of specific commodities which the resource industry
26 develops, or anything like that -- do you think that
27 would be bad?

28 A. No. What I object to is the extraction
29 of a profit from some movements, a profit over and above
30



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1 the total cost and over and above a normal reasonable
2 rate of profit. That is certainly not helping the
3 development of Canada.
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2 Q. Well, have you noticed a pretty fair
3 development in Canada by looking over its history over
4 the last ten years?

5 A. Over the last two or three years since I
6 have known it.

7 Q. It is rather remarkable development?

8 A. It is rapid but not remarkable consider-
9 ing the country we are in at the time we are in it.

10 Q. And this development has taken place under
11 the rate structure now in existence, this differential?

12 A. Yes.

13 Q. That is the way you feel about it despite
14 the rate structure?

15 A. Yes.

16 Q. Well then, your considered view that with
17 your rate structure having no traffic making more than
18 total cost that the development would have been more
19 rapid and more even than it was?

20 A. Let us be careful about generalizations
21 here.

22 Q. I think that is rather a remarkable statement,
23 coming from you, to let us be careful about generaliza-
24 tions.

25 A. Remarkable or not, let me make it, that some
26 of the development which has taken place which has developed
27 in industries involving traffic movement at the competitive
28 rate levels must almost certainly be assisted by the rate
29 structure which we have got. That is true of that part,
30 but the development which has taken place where the higher
rates are being paid, class rates which do make more than



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2 a reasonable rate of profit, that development has taken
3 place despite our rate structure and the development
4 which has not taken place in those parts has not taken
5 place because of that technique or rate system of charging
6 a profit on some movements.

7 Q. Well, if class rates are applied to high
8 valued commodities moving in Canada and in the light of
9 the pervasiveness of competition that traffic could move
10 by truck if the rail rate was unduly high. You would
11 agree with that?

12 A. If the rail rate were higher than the truck
13 rate, yes.

14 Q. Well then, would you assist the Commission
15 with this: Is it your view, and you studied this, is
16 it your view that the low cost carrier should always be
17 the one that moves the traffic? That the low-cost carrier
18 - ?

19 A. Yes.

20 Q. Without any exceptions?

21 A. It would require extreme justification for
22 an exception; almost without exception as a rule, yes.

23 Q. All right then, so that that would require
24 you to know the true costs of each of the modes of carriage,
25 for instance, water. You would then have to determine the
26 advantage of toll-free canals, of harbours, of aids to
27 navigation, all those should be charged against the move-
28 ment, should they not, to arrive at the true cost?

29 A. Some part of them, yes, just as part of
30 the cost of the highways is charged against trucks.

Q. And you would also have to make studies



1
2 and determine ~~that~~ the true cost of highways were being
3 assessed against trucks?

4 A. Not the whole cost, an appropriate part.

5 Q. The true cost for the movement of highway
6 vehicles would be assessed against trucks?

7 A. Yes.

8 Q. And you would have to determine that for
9 aircraft, that the true cost of meteorological services,
10 airways, airports, navigational aids would all be charged
11 against aircraft?

12 A. To do it perfectly, yes.

13 Q. And then what you would do is, you would
14 have all these studies made of water, air, truck and rail.

15 THE CHAIRMAN: Pipelines.

16 MR. SINCLAIR: Q. Pipelines, too, and determine
17 their true cost and then what you would do is, you would
18 divide the various traffic up and say that the low-cost
19 carrier is water so therefore "Sinclair, you ship by
20 water". The low-cost carrier in another instance is rail
21 therefore "McDonald, you ship by rail". To somebody
22 else you would say to ship by air and to somebody else
23 by truck. That would be the way, you would approach this
24 problem?

25 A. No, it would not.

26 Q. But this would be the only way, I suggest
27 to you, that you could make certain that traffic was
28 moving by the low-cost carrier. In other words, you would
29 take away freedom of choice by the shipper and receiver.

30 A. I reject your suggestion and inasmuch as
you want me to put forward an alternative scheme which is



1
2 where you have an element of competition which is wide-
3 spread competition as one has in the trucking industry
4 in some provinces, I would suggest that rates do reflect
5 costs, not to the last cent but do approximately reflect
6 costs and if the rates charged -

7 Q. Dr. Winch -

8 A. Let me answer the question.

9 Q. Just a minute, Dr. Winch. In Canada we
10 will not accept your assumption that trucks are able to
11 fix rates in accordance with costs because they are con-
12 trolled in the province of Saskatchewan -- the Chairman
13 told you this yesterday -- Manitoba, British Columbia,
14 Quebec and I think Nova Scotia, and so therefore, your
15 assumption, as the Chairman pointed out to you yesterday,
16 is not sound. I do not want you to give a long explanat-
17 ion that is based on an improper assumption.

18 A. You asked me how I would get traffic to
19 move by the lowest cost carrier and I am telling you by
20 allowing trucks to charge rates which do reflect costs.
21 In some provinces that is done, in some provinces it is
22 not at the present time. My scheme would be that.
23 It is one of trucking rates reflecting costs and that can
24 be achieved by competition. One makes sure where carriers
25 have no competition, that is competition between alternative
26 railways to a large extent, there are not many railways
27 in Canada, but say the rates also reflect costs. Now,
28 once your rates reflect costs the shipper is given a
29 wide-open choice as to how he wants to ship. There is
30 no control and he will be presumably using that one
which gives him the best service in relation to costs.



1
2 Q. Let me ask you this: Under your scheme,
3 let us ~~take~~ trucks alone you would suggest that if there
4 was a common market and there were two routes leading to
5 the common market both equidistant from the common market
6 and because of terrain or density the cost of one route
7 were higher than the cost of another route that that
8 would justify a different rate by the truck into the
9 common market?

10 A. Yes.

11 Q. You would?

12 A. Yes, insofar as it reflects costs, yes.

13 Q. You would then alter what is now known
14 under our laws as unjust discrimination?

15 A. If that is unjust discrimination, then the
16 law takes a different view of the word than I take.

17 Q. Then you would suggest that unjust discrim-
18 ination sections of the Railway Act be repealed if it
19 does what I suggest it does to you?

20 A. Not without review.

21 Q. Will you take my statement that the Railway
22 Act today presents -- there is no competition or anything
23 else to justify a lower rate. A common market requires
24 equidistant rates to be the same. Would you take that as
25 my statement and that is called unjust discrimination?

26 A. If the Act defines "unjust" in that way
27 then yes, the definition needs changing.

28 THE CHAIRMAN: In the matter of moving of
29 traffic, in addition to costs there are other factors
30 such as speed, convenience, that enter it too.

THE WITNESS: Speed, of course, will affect



1
2 costs. The question of quality of service which I think
3 is an impressive term, the frequency of business, damage,
4 all those factors come into it but where your modes of
5 transport reflect their costs then one is faced with
6 different modes of transportation which have different
7 rates and also different qualities and the shipper does
8 not always take the lowest rate, he picks what the best rate
9 is in relation to other things. He might want to buy
10 the high quality service at a better rate.

11 COMMISSIONER MANN: You said to Mr. Sinclair
12 that the low-cost carrier, and I wrote down the words
13 "without exception" carry the traffic. You have made no
14 allowance up to this point for the demand characteristics.

15 THE WITNESS: No, but for quality of service I
16 would regard as a form of cost.

17 COMMISSIONER MANN: I suggest that enters into the
18 demand characteristics.

19 THE WITNESS: It is a point, it is in there.

20 THE CHAIRMAN: Speed and service, they will use
21 air rather than trucks.

22 THE WITNESS: Oh yes, it may well be better to
23 pay \$100 and get there by air today than \$80 to get there
24 next week. If time makes a difference then it means
25 the best compromise.

26 THE CHAIRMAN: Cost is not the only factor.

27 THE WITNESS: No, quality is important, quality
28 is part of the cost.

29 COMMISSIONER MANN: Total distribution costs,
30 Dr. Winch, for instance, the fact a man may be using a
premium service at a higher rate achieve certain savings



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2 in inventory control, would you allow that the high-cost
3 carrier may be the one to whom whatever authority you
4 establish should allocate the traffic?

5 THE WITNESS: There are two questions there.
6 I would not advocate an authority allocating traffic.
7 That is not my suggestion. As regards inventory costs and
8 such like I would say if one form of transportation
9 involves keeping a large inventory and the other does not,
10 then the cost of the inventory is in regard to the use
11 of the transport. It is all in there.

12 COMMISSIONER MANN: When you look at rates you
13 have to look at the demand side.

14 THE WITNESS: Yes, the shipper considers the
15 rate, quality and service, the business the damage,
16 inventories and all these other things which affect
17 quality.

18 MR. SINCLAIR: Q. Your answer to Commissioner
19 Mann was this, that you have to be able to determine
20 for each of the various modes of transportation the cost,
21 being the cost of providing the services and cost also
22 taking into account the advantages of the service being
23 provided.

24 A. No, you do not have to do that. You would
25 have to assess the cost to the carrier where competition
26 does not automatically bring a close approximation of
27 costs as relates to the advantages of quality and service.
28 One leaves that to the shipper's discretion.

29 Q. Why do not the railways and the truckers
30 take that into account and fix their rate within a cost
factor?



1
2 A. Because quality is not a component that sets
3 the rate, it is separate.

4 Q. But it is one of the things that says how
5 the traffic move?

6 A. Yes.

7 Q. I suggest to you it enables the carrier to
8 fix his rate and to judge by that the cost of providing
9 the movement and the economic cost of the movement pro-
vided to the shipper. You do not agree with that?

10 A. At present that is the system. Under the
11 system I am advocating using the cost pays the rates it
12 would not be there.

13 Q. Well, under the system that you are advocat-
14 ing, Dr. Winch, you would have to determine with precise-
15 ness, as much preciseness as possible the true costs.
16 We have agreed on rail, water, air, pipeline and I suggest
17 to you that that would only be possible if the state owned
18 all the means of transportation and all the facilities of
transportation.

19 A. I do not believe that is a necessary assum-
20 ption.

21 Q. That, I suggest to you, is the only way
22 it would work.

23 A. And I disagree with you.

24 Q. You disagree. You do think that you could
25 have private enterprise operating in air, rail, trucks and
26 pipeline and determine its true costs and using that as a
27 basis and the only basis of rate making and the state
not having anything to do with the fixing of the rate.

28 A. I would say there would be three ways of
29
30



1
2 doing it: You could have private competition, if your
3 competition is enough the end is achieved; you could have
4 private ownership with regulation in which the end can
5 be achieved or you can have state ownership. There are
6 three ways but there is no need to have state ownership.

7 Q. But that would make the system easier to
8 operate, would it not?

9 A. I don't know that it would make it more
10 efficient...

11 Q. I did not ask that question, that was my
12 next question.

13 A. I do not know that it would make it easier
14 to operate because by "easier" I qualified this question
15 of efficiency of operation and so on.

16 Q. So you would look upon the private enter-
17 prise aspect as bringing about greater efficiency but for
18 ease of administration if it was all owned by the state
19 it would all be gravy?

20 A. I did not say that, no.

21 THE CHAIRMAN: You would have some authority
22 to regulate.

23 THE WITNESS: Where there is not any competi-
24 tion.

25 THE CHAIRMAN: And determine costs?

26 THE WITNESS: Yes, where there is not an
27 adequate degree of competition you need either state
28 regulation or state ownership.

29 THE CHAIRMAN: Well then, the Board of Transport
30 here would determine the costs of water, trucks, air and
rail.



1
2 THE WITNESS: I do not think it would be neces-
3 sary for trucks, you have sufficient competition there
4 but for water and air - I am not familiar with water,
5 it may not be necessary there. It would depend on the
6 degree of competition.

7 COMMISSIONER MANN: Is it basic to this scheme
8 that the regulatory authority have available to them
9 extremely detailed cost data by all carriers?

10 THE WITNESS: Well, the more detailed the
11 better, but it would not be necessary to go to the last
12 cent; one cannot be precise but the closer the better.

13 COMMISSIONER MANN: I suppose for proper
14 analysis you would want to get them as exact as possible?

15 THE WITNESS: Yes.

16 COMMISSIONER MANN: And these should be public
17 information?

18 THE WITNESS: That is another question; that
19 is not necessarily so, the Board might take them in
20 confidence.

21 COMMISSIONER MANN: But you must have this cost
22 data?

23 THE WITNESS: Yes, to know what the costs are.

24 THE CHAIRMAN: And a yardstick for each, you
25 would have to have a yardstick of costs for each different
26 agent?

27 THE WITNESS: For each form of transport, yes.

28 COMMISSIONER MANN: The highway costs, of course?

29 THE WITNESS: Yes, they would be there but I
30 realize there is a problem there, that is a provincial
matter.



1
2 Q. Dr. Winch, on water, say there was a
3 nationalized shipping line that was operating with
4 different labour standards or level of labour costs,
5 operating in Canada, would you then consider that to
6 bring the matter into balance with Canadian operators
7 there should be some subsidy paid to the Canadian
8 operators to offset the lower labour standards of a
9 foreign steamship operator?

10 THE CHAIRMAN: You mean under a Panama flag,
11 or something?

12 MR. SINCLAIR: Yes, Moravia, or something.

13 THE WITNESS: This is a question of com-
14 petition between shipping lines, one of which is Canadian
15 with high wage rates, and one of which is foreign with
16 low wage rates, and I would say, no, there is no need
17 for a subsidy.

18 MR. SINCLAIR: Q. So, what you would say,
19 if the Canadian labour standards and environment could
20 not meet the foreign competition, that Canadian water
21 transportation should dry up?

22 A. I would say you are in a typical position
23 of international trade, and what you are advocating is
24 essentially a tariff, but instead of putting a tariff
25 on the foreign shipowner you put a subsidy on the Canadian.
26 If there is a good reason for a merchant navy then sub-
27 sidize it, but it is not necessary in the interests of
28 international competition.

29 Q. In the aircraft industry, if the level of
30 pilots, navigators -- aircrew -- is higher in Canada



1 than it is in Great Britain, would you then preclude
2 the Canadian carrier from recovering its true costs
3 because its costs would be higher than the British car-
4 rier -- take BOAC?

5
6 A. I think one is getting into a typical
7 international trade position that when a foreign firm
8 can do a job at lower cost, then, either we lose out
9 to the foreign competition, or you protect the domestic
10 industry, and you do that by a tariff or a subsidy, if
11 it is in the national interests to protect it.

12 Q. But you have overlooked what I asked you.
13 Would you take the cost of the foreign carrier, with
14 lower labour costs, to set the costs for steamships or
15 for aircraft, or would you take the Canadian carrier's
16 costs? Which costs would you use to fix the level of
17 the rates?

18 A. Once you have the competition, you
19 don't have to fix the rates.

20 THE CHAIRMAN: I think we are going quite
21 afield in taking the whole world. Let us keep to Canada.

22 MR. SINCLAIR: Q. These would be foreign
23 carriers operating in Canada?

24 A. In Canada, or to and from Canada?

25 Q. In Canada. What would you do then?

26 A. When?

27 Q. Which costs would you use to fix the rates?

28 A. Once you have competition you don't need
29 to fix the rates. That is my answer.

30 Q. Once you have price competition you don't



1 need any regulation at all?

2 A. Not if the competition is adequate.

3 Q. You are saying the competition would be
4 perfect competition?

5 A. I am not suggesting it would be perfect.
6 I am suggesting it might be adequate.

7 Q. What you are suggesting is that without the
8 rate regulation you would have workable competition.
9 Would that be all right in the economic sense?

10 A. If you have foreign competition with do-
11 mestic firms, yes, you would have workable competition.

12 Q. I am asking you, without regulation of any
13 of the transport media in Canada, would you have workable
14 competition in the economic sense?

15 A. Not in all media of transport -- certainly
16 not in rail.

17 Q. Would you have it in steamships?

18 A. I don't know.

19 Q. Would you have it in aircraft?

20 A. What would happen in aircraft, if you took
21 off the regulations, I just don't know; nobody does.

22 Q. But you do think you would have it in
23 trucks?

24 A. I think you have got it in trucks in some
25 provinces, and you would have it in others if you removed
26 the restrictions.

27 Q. Say the trucks, under the basis you set
28 forth, charged rates below their direct costs?

29 A. They would go out of business.
30



1 Q. But in the period in which they were using
2 up their capital, and matters of that kind, do you think
3 that should be permitted?
4

5 A. I think here we have a typical position
6 of any competitive business which, if somebody goes into
7 it and can't cover his costs, he makes a loss and go
8 bankrupt, and that is it.

9 Q. It may be easy for you to determine the
10 true costs of a truck movement -- for instance, sheet
11 metal from Winnipeg to Saskatoon -- and I am sure you
12 would likely have no difficulty in doing it; but, a
13 trucker may have substantial difficulty in doing it
14 and might unwittingly quote a rate that wouldn't meet
15 his direct costs. Would you let him do that?

16 A. I would say he is probably an inexperienced
17 trucker, and if he is making losses he will soon learn
18 his lesson.

19 Q. Would you then envisage a constant turnover
20 of truckers going into the business, learning their
21 lesson, and going out?

22 A. I would not envisage that, when trucking
23 companies are, as you suggest, going bankrupt right,
24 left and centre, there is always a supply of other people
25 wanting to come along and lose money.

26 Q. But the result would be a substantial
27 number of bankruptcies as they moved in and out?

28 A. There may be some, but if it became an
29 intense problem one might have to do something about it,
30 but I don't believe it would.



1 Q. In this brave new world of a rate struc-
2 ture that you envisage, you would, I take it, recognize
3 that there would be some sociological changes in
4 Canada and some dislocation of established industrial
5 patterns: would you expect that?

6 A. I would expect a developing economy to
7 involve change, yes.

8 Q. I am asking a different question from that.
9 I am saying, with the change to this brave, new world of
10 a rate structure that you have advanced, would you
11 expect a change in industrial patterns, dislocation of
12 established industry and people and dislocation of
13 established industrial patterns?

14 A. I would expect some problems of that type,
15 yes.

16 Q. And they would be very substantial?

17 A. How substantial one doesn't know, but
18 there certainly would be problems of that type.

19 Q. For example, if the western Canadian
20 grain rates are only half of what they should be, and
21 if these rates were increased 100 per cent, would you
22 expect substantial change in the farming communities of
23 western Canada -- there would be numerous farmers who
24 could not continue to operate?

25 A. Yes, on those assumptions, but I am not
26 advocating a change in grain rates.

27 Q. If there were similar changes in other
28 than grain rates, you would also, in other industrial
29 pursuits, expect similar changes?
30



1
2 A. Yes. I might add these changes, where
3 they are intense, it may be possible to make a transi-
4 tion to a new rate system over a period of, say, five
5 years, and allow a gradual decline in some and the
6 development of others. This need not plunge the
7 country into widespread unemployment overnight.

8 Q. What you are really advocating is a
9 planned economy -- planned transportation, planned industrial
10 patterns, planned resource development?

11 A. I certainly object to railways that don't
12 have plans.

13 Q. I am asking you if what you are advocating
14 is a planned economy?

15 A. Not in the sense of government planned, no.

16 Q. What you would expect, though, would be
17 that there would have to be an awful lot of economists,
18 statisticians, cost analysts, research workers and other
19 worthy people -- they would have to get to work under
20 this plan?

21 A. To do anything properly you have to plan
22 it, but that doesn't involve complete socialism or
23 communism -- or whatever you want to call it -- it
24 doesn't involve that. No business runs without plan-
25 ning.

26 Q. But what I am suggesting to you, under
27 your plan of the rate structure, there would be a great
28 deal of work to be done by economists, and by cost
29 analysts, and by statisticians, and by research workers,
30 and, as I say, these people who would be determining the



1 level of rates?

2 A. Yes.

3 Q. Rather than the shippers and receivers of
4 the goods?

5 A. On regulated forms of transport, yes, you
6 have to have someone to do the regulation, and since it
7 is a complex problem it would require a complex staff
8 to administer it.

9 Q. You would certainly think that the people
10 who deal with problems of transportation -- rates and
11 matters of that kind -- should be people who are
12 specialists?

13 A. There would certainly be room for
14 specialists.

15 Q. But the final authority would rest with
16 the specialists?

17 A. Oh, not necessarily. I haven't drawn up
18 a blueprint of a bureaucratic organization. Something
19 of the nature of the Board of Transport Commissioners is
20 what I have in mind -- perhaps expanded, perhaps modi-
21 fied.

22 Q. You would not look upon government, having
23 all the problems they have of running the country -- they
24 would not have authority over fixing rates or the fixing
25 of what would be just and reasonable under any given
26 circumstances; that would be left to a hearing and a
27 determination on the issues in the light of all economic
28 and other facts?

29 A. Something of that sort. The regulatory
30



1 board could be responsible to a minister. I haven't
2 gone into the political setup.

3 Q. But you wouldn't give them the power of
4 veto?

5 A. Who?

6 Q. The government?

7 A. Oh, quite possibly. After all, they are
8 the government.

9 Q. And you would give them the power of veto?

10 A. They can always change the Act. Parlia-
11 ment is sovereign.

12 Q. I don't mean by legislative change. Would
13 you make the final authority in fixing rates and rate
14 levels the Governor in Council?

15 A. Really, Mr. Sinclair, I am not planning a
16 department. I haven't given consideration to the organiza-
17 tion of who is going to control it or where the power is
18 going to lie. I am not an expert in political adminis-
19 tration. I don't wish to answer your question.

20 Q. You don't wish to answer it; thank you.

21 Paragraph 26 -- and here you resort to a
22 rhetorical attack; you ask three rhetorical questions,
23 and I think it may be of interest to the Commission to
24 take a look at those rhetorical questions.

25 THE CHAIRMAN: Well, we will do that after
26 taking a short recess.

27 ---Short recess.
28
29
30



1
2 MR. SINCLAIR: Just before the break I directed
3 your attention to the three rhetorical questions you
4 pose at paragraphs 27, 28 and 29.

5 A. There is not one question in any of those
6 paragraphs, sir.

7 Q. Well, you call them possibilities for
8 explanation to take a look at.

9 A. Three possible lines of argument, yes.

10 Q. Let's take the first one, Dr. Winch. You
11 say that the railways in central Canada are no longer
12 able to devise a rate scale which will meet their costs
13 in central Canada. Now, I have again referred to the
14 Board's Waybill Analysis, and I am going to give you
15 certain figures from that Board's Waybill Analysis. The
16 class rate average revenue per ton mile is 5.71 cents;
17 agreed charges, 2.48 cents per ton mile; competitive rates,
18 2.35 cents per ton mile and non-competitive commodity rates,
19 2.14 cents per ton mile. That is intra-eastern. In the
20 light of those figures, I am going to ask you - and I know
21 that you did not, as you have told me, analyze this
22 Waybill Analysis.

23 A. No, I did not.

24 Q. In preparing your submission?

25 A. I did not analyze it.

26 Q. In the light of the figures I have given to
27 you, would you still say that the railways in central
28 Canada are no longer able to devise a rate scale which
29 will meet their costs in central Canada?

30 A. Well, giving me the rates doesn't tell me
the whole picture. If you can give me costs I can



1
2 compare them.

3 Q. In the light of the per ton mile figures
4 I have given you in central Canada - and once again I
5 said to you that Canadian Pacific, which made a profit in
6 1958 of \$36 million after paying some \$20 million income
7 tax -- in the light of that profit of \$36 million from
8 its railway operations, after paying income tax of some
9 \$20 million, and its average revenue per ton mile is
10 1.89 cents, excluding grain - I have now given you the
11 per ton mile earnings in eastern Canada - would you, in
12 the light of those facts, wish to give further consideration
13 to your statement that the railways in central Canada are
14 no longer able to devise a rate scale which will meet their
15 costs?

16 A. I am sorry to say that I still have not any
17 data that forms a comparison. You have given me rates
18 across Canada and you have given me a profit. If you give
19 me the costs in central Canada I could give you an
20 answer.

21 Q. Would you like to compare the rates with
22 the intra-eastern figures?

23 A. You have given me the rates. Now give me
24 the costs and I will compare them.

25 Q. Would it assist you, in view of the fact that
26 you were of the view that western Canada is bearing higher
27 rates than eastern Canada, and the Canadian Pacific over-
28 all is profitable, its railway operations, if I give you
29 similar figures for western Canada?

30 A. No.

Q. Would it assist you in deciding whether,



1
2 if western Canadian per ton mile rates were lower, that
3 might have some bearing on your over-all belief that
4 rates in eastern Canada are lower than in western Canada.

5 A. Giving me the rates as you have would not
6 help me to compare them. I need costs. Nothing else will
7 do.

8 Q. If the railways were operating in western
9 Canada at lower revenues per ton mile than in eastern
10 Canada and there was an over-all profit, as Canadian
11 Pacific had in 1958, would you not then say that the
12 rate scale in eastern Canada was meeting its costs?

13 A. That would depend on the relationship
14 between costs in eastern and western Canada. I cannot
15 compare rates and costs unless I have the costs.

16 Q. Have you anything to support your statement
17 that the railways in central Canada are no longer able to
18 devise a rate scale which will meet their costs?

19 A. I am prepared to modify it slightly in this
20 way to say that either the railways are not able to make
21 a rate scale which would meet their costs in central
22 Canada or before the institution of competitive rates and
23 agreed charges and suchlike they must have been making
24 very high profits in central Canada, and they must have
25 been very high.

26 Q. It may not have occurred to you that there
27 are competitive rates today throughout Canada. Has that
28 occurred to you?

29 A. Yes, and it may well be that there is a
30 pretty fair balance between rates versus east and west.

Q. And until you have done a very close study,



1
2 these statements that you have made have no foundation
3 whatever?

4 A. These statements are made without study,
5 and I have advocated the study.

6 Q. This is where you suggest that if the rail-
7 ways can't make a profit under your scheme they would
8 then resort to other than rail income to make up the
9 deficit from the railway operations, and one of the things
10 you specifically refer to is hotels. You recall yester-
11 day you looked at the Canadian Pacific annual report for
12 1958, and on page 10 we see hotels in 1958 had a loss of
13 \$2.1 million, and I suggest to you that you can ascertain,
14 if you wish to investigate, say, for instance, that
15 Canadian Pacific hotels would be around \$35 million,
16 and, of course, you would then want to give a fair return
17 on those hotels, which I think you said this morning might
18 be in the nature of six per cent or seven per cent, some-
19 where in that neighbourhood?

20 A. Oh, they were purely hypothetical figures.
21 I wasn't advocating a minimum of six and a maximum of
22 seven by any means.

23 Q. It may very well be ten per cent?

24 A. I don't know.

25 Q. Let's take ten per cent. That would be
26 \$3.5 million which would have to be earned by the hotels
27 or by the complex of hotels and railways and plus the
28 loss of two million-odd dollars. Would you, in the light
29 of that, advocate an increase in the freight rates to
30 offset a \$2 million loss and the earning requirements of
\$3.5 million for hotels?



1
2 A. No. In the first place, before I did any-
3 thing to help with the loss on the hotels, I would want
4 to know why the hotels went from a profit of \$100,000 in
5 1957 to a loss of \$2 million in 1958. One cannot sub-
6 sidize an operation which suddenly plunges from a profit
7 of \$100,000 to a loss of \$2 million.

8 On the second part, there is no obligation,
9 as far as I know, on Canadian Pacific to operate hotels
10 in the way that there is an obligation on the Canadian
11 Pacific to operate railways. While one might say there
12 is an obligation to operate railways and one might allow
13 them to make a profit somewhere else or in some other
14 form of the business, there is no suggestion that Canadian
15 Pacific should be helped out of a \$2 million loss in a
16 business that they shouldn't be in.

17 Q. If you were going to take all the assets
18 of Canadian Pacific in fixing rates, you would have to
19 give a reasonable return on the assets you took in?

20 A. Yes.

21 Q. And you have to take losses as well as
22 profits?

23 A. Yes.

24 Q. And if the losses do occur and there was
25 nothing you could do to improve the hotels, then you
26 would have to increase the rail rates?

27 A. Or let the hotels go out of business.

28 Q. And the Board would be determining whether
29 or not the railways should stay in the hotel business.

30 A. Not necessarily.

Q. If you are not going to allow them to live



1
2 with a reasonable chance of making a profit and also
3 meeting losses when those occur, then they couldn't
4 remain in the business, could they?

5 A. Was this a typical figure or was this an
6 exceptional figure?

7 Q. Take steamship operations in 1958, \$1.2
8 million. Now once again, if you --

9 A. Once again I would want to ask why. they
10 went from a \$2 million profit in 1957 to a \$1 million loss
11 in 1958.

12 Q. After you had done that you would then make
13 up your mind whether the steamship operations of
14 Canadian Pacific were efficient?

15 A. Yes. Naturally one wants to know as much
16 data on them as on the railways, if that is so.

17 Q. Canadian Pacific purchased an investment,
18 say, in a mining organization, and its return from that
19 might vary from between \$18 million to \$6 million, a
20 drop of \$12 million. Would you increase freight rates
21 to take care of that \$12 million drop?

22 A. No, I would not.

23 Q. Would you want to investigate the efficiency
24 of that operation to see why, in a period of years, the
25 profit had fallen from \$18 million to \$6 million? Do
26 you think that the Board should do that just the same
27 as it did steamship and hotels?

28 A. Certainly one would need that before
29 offering any assistance or authority to make freight
30 rates. But I would not say that deficits in non-rail
operations should be made up from railway operations.



1 Q. You would only make up the deficits on
2 rail operations from the profits on non-rail operations?
3 Is that your position?
4

5 A. I am not advocating this solution. I
6 am merely saying that if one is going in part of the
7 way to make up a loss on one from something else, then
8 one must allow that something else to include everything
9 else. One must not simply limit it to other movements
10 by rail.

11 Q. But the railway service is a separate
12 service from the hotel business or from the steamship
13 business, is it not?

14 A. It is a question of where to draw the line.

15 Q. I am asking you ---

16 A. The Canadian Pacific is very much in the
17 hotel business.

18 Q. I am asking whether the hotel business
19 is not a separate business from the railway business?

20 A. I would not say different in principle
21 in the sense in which western Canadian rail operations
22 are separate from eastern Canadian rail operations.

23 Q. There is no difference in principle
24 between railway operations and steamship operations?

25 A. No greater than the difference between
26 rail operations in different regions of the country.

27 Q. There is no difference between the opera-
28 tions of Canadian Pacific Airlines between Tokyo and
29 Hong Kong than there is in railway operations?

30 A. The same answer.



1 Q. The same answer? It is a good job that
2 you live in Saskatoon.

3 COMMISSIONER ANSCOMB: I am sorry to inter-
4 rupt you, Mr. Sinclair, but I think I will have to ask
5 the witness this question. You repeated it half a
6 dozen times, and I think you changed your mind, but
7 perhaps I am just not able to understand it -- do I under-
8 stand you to say that you would settle first whether the
9 other assets should or should not be taken in. That
10 is one thing?

11 THE WITNESS: Yes.

12 COMMISSIONER ANSCOMB: You have not made up
13 your mind whether this should or should not be?

14 THE WITNESS: You can do it either way. It
15 has still to be decided.

16 COMMISSIONER ANSCOMB: If they are taken in
17 and there is a profit, do you want that to go into the
18 railway part?

19 THE WITNESS: No. What I say is that if
20 one is to allow the railway to make up a loss on one
21 movement by a profit on another movement, then one must
22 allow them to make up a loss on one movement by a profit
23 in another form of business.

24 COMMISSIONER ANSCOMB: I am going to put it
25 to you this way. If you finally decide that these other
26 assets should be taken into the railway structure, that
27 is, the revenue from them, as there is a profit, that
28 will reduce the necessary freight charges perhaps, but
29 if there is a loss the freight rates must go up? You
30



1 say yes to that?

2 THE WITNESS: I do not say one would offset
3 a loss on any other form of business by a profit on the
4 other business.

5 COMMISSIONER ANSCOMB: How can you have it one
6 way and not the other?

7 THE WITNESS: Presumably, if losses are going
8 to continue on the railways, then, on any movements,
9 it is because those movements are in the public interest,
10 it is determined to be in the public interest that the
11 railway continue to operate those at a loss. That
12 would justify rearrangement of profits and losses and
13 similarly it would justify a rearrangement if it is
14 genuinely in the public interest that they continue
15 to operate hotels at a loss. Once it ceases to be
16 in the public interest one can let it go bankrupt.

17 MR. SINCLAIR: Q. Have you read extensively
18 or attempted to understand corporate structure and
19 finance? Is that one of your fields?

20 A. No, it is not.

21 Q. You have not analysed the Board's Waybill
22 Analysis?

23 A. No.

24 Q. Have you read "Alice in Wonderland"?

25 A. Many years ago.

26 Q. It made an impression?

27 A. It helped greatly in dealing with the
28 railways.

29 Q. It helped greatly in preparing this brief?
30



1 A. There I was dealing with the railways.

2 Q. Let me ask you this: on page 11 you say,
3 "The third possibility," I think you have discussed two
4 of them. This is operating the railways as a whole
5 and this is really a further extension of your proposi-
6 tion 2?

7 A. It is a limitation of No. 2.

8 Q. It is a limitation of 2? What you have
9 in mind there is also dealt with in paragraph 81 of
10 your submission, in your summary. I want to ask you
11 this, Dr. Winch, and you do not have to deal with the
12 matter in principle. Maybe we can simplify it by
13 dealing with an analogy first. You have your Ph.D.
14 degree?

15 A. Yes.

16 Q. Would you distinguish your Ph.D. degree
17 from a Ph.D. degree honoris causa?

18 A. Yes.

19 Q. Would you distinguish it on the basis
20 that your degree was earned and an honoris causa Ph.D.
21 degree was given?

22 A. I would distinguish it on the basis that
23 the Ph.D. degree required a thesis and the fees, and
24 the honoris causa does not.

25 Q. Would you also distinguish it on the
26 basis that your degree was earned and the other degree
27 was given?

28 A. I am not suggesting that honoris causa
29 degrees are given to persons who do not earn them.
30



1 Q. I am not either, but you have earned
2 yours for the work you did academically, and they
3 might have earned theirs for the work they did socially?
4

5 A. In that case, that is the distinction.
6 You have answered your question.

7 Q. But you would agree that there is a dis-
8 tinction between your Ph.D. degree and the academic
9 requirements of a Ph.D. degree honoris causa?

10 A. Yes. The academic requirements are
11 different.

12 Q. And you can well get an honoris causa
13 Ph.D. degree without having any academic requirements,
14 can't you?

15 A. It is not done very easily.

16 Q. I said, you can?

17 A. It can be done. I could not.

18 Q. Of course, that we understand. I want
19 to ask you -- and I take it you have done quite a bit
20 of work dealing with English and the meaning of words
21 in your studies?

22 A. Yes.

23 Q. When you use the word "grant" in respect
24 to land that means a conveyance, doesn't it, or a
25 transfer of title?

26 THE CHAIRMAN: I think we are getting into
27 legal angles.

28 MR. SINCLAIR: I was just getting into the
29 meaning of English words.

30 THE CHAIRMAN: Semantics.



1 MR. SINCLAIR: Just the meaning of English
2 words.

3 THE CHAIRMAN: We have dictionaries.

4 MR. SINCLAIR: Q. If the Commission does
5 not wish me to put this question, I am going to ask
6 you, Dr. Winch, if you will agree with me that the lands
7 and money received by the Canadian Pacific for building
8 the transcontinental railway were granted, that the
9 lands were transferred for obligations undertaken and
10 satisfied? Would you agree with that?

11 A. Not without studying the history of it.

12 Q. Have you studied it?

13 A. Not in sufficient detail to answer your
14 question.

15 Q. Looking at your paragraph 81, you say:

16 "Grants of money, land, completed line
17 and tax exemptions were in the nature of a
18 subsidy to meet such deficits as now arise
19 from the obligation of the company to provide
20 rail services."

21 What factual data have you got, in view of your earlier
22 answer, to support that statement?

23 A. That came from some of the grants, and
24 I admit I have not studied this history in sufficient
25 detail to tell you which specific grants went to the
26 Canadian Pacific Railway, but some involved the
27 obligation of building and of operating a railway.

28 Q. You are saying that you know, without
29 studying it, whether that obligation has or has not been
30



1 satisfied?

2 A. It has been satisfied. They are still
3 operating it and they have built it, but it continues
4 to be satisfied only so long as they continue to operate
5 it. That was part of the deal.
6

7 Q. Was it also part of that obligation that
8 they would not earn more than 10 per cent on the invest-
9 ment in the railroad? Do you remember that?

10 A. I do not remember such a clause.

11 Q. And that rates would not be adjusted until
12 they exceeded 10 per cent on the investment? Do you
13 remember that part of the deal?

14 A. I do not remember that part, no.

15 Q. Have you ever read the whole contract to
16 which you refer?

17 A. No.

18 Q. This third possibility in paragraph 29
19 really envisages the railway getting out of non-
20 profitable services? That is basic to your approach
21 to this problem? If the railways cannot maintain
22 a service and make it profitable, then they should
23 get out? That is basic to your thinking, is it not?

24 A. That a service which cannot recover
25 its full costs makes a deficit, that the railway should
26 go out of business where it is making a loss, unless
27 it is deemed to be so strongly in the public interest
28 that the service continue and the government is prepared
29 to subsidize it to keep it going.

30 Q. And you knew, did you not, being from



1 Saskatoon, that the Canadian Pacific Railway had a
2 deficit service, namely the passenger train being
3 operated from Saskatoon, and they introduced that
4 evidence, and your present Board of Trade and the City
5 of Saskatoon appeared in opposition to it, didn't they?

6 THE CHAIRMAN: That is human nature.

7 MR. SINCLAIR: We are dealing with human
8 nature.

9 THE CHAIRMAN: Human nature.

10 MR. SINCLAIR: I would also suggest that it is
11 human nature that, after the Board authorized the
12 discontinuance of the service, the view of the mayor of
13 Saskatoon was that notwithstanding the fact that they
14 opposed it that did not matter because they did not
15 require the services.

16 THE CHAIRMAN: Again that is human nature,
17 and you will find that everywhere.

18 MR. SINCLAIR: Even in Saskatoon.

19 Q. On page 12 you have a table, on which
20 you mistakenly show the source to be the Canadian Pacific
21 exhibit. I suggest to you that the Canadian Pacific
22 exhibit is not properly reflected in your table, but that
23 is Mr. Frawley's exhibit.

24 A. It was given by Mr. Frawley in giving his
25 argument -- as it was corrected, I will say "argument"
26 rather than "evidence".

27 Q. Mr. Frawley does not give evidence.

28 A. He mentioned these figures, and he himself
29 said that the source was the Canadian Pacific exhibit.
30



1
2 Q. No, what he said was that the percentages
3 of revenue he lifted from Exhibit from 5822.

4 A. That is what I mean when I say he said
5 it was the source.

6 Q. I was wondering whether before you put
7 this in or subsequently you had the advantage of looking
8 at Exhibit 93 in these proceedings?

9 A. No, I have not.

10 Q. I say that if you put Exhibit 93 in
11 these proceedings alongside this table you will find
12 quite different results.

13 A. That two of the Canadian Pacific exhibits
14 contradict each other -- is that what you are saying?

15 Q. No, Dr. Winch, I am not saying that, and
16 if you think that is so ---

17 A. I did not say that; isn't that what you
18 said?

19 Q. If you think I said that, I am very much
20 surprised. Do you think I said that, that two Canadian
21 Pacific exhibits contradict each other?

22 A. I think what you said meant that.

23 Q. You do?

24 A. I do.

25 Q. Then you are stupider than I thought
26 you were.

27 THE CHAIRMAN: We must not have this.

28 MR. SINCLAIR: I think that this witness who
29 comes here and who has been in the transportation for
30 two years and makes remarks such as that ought to be



1 chastised.

2 THE WITNESS: May I ask you what you did
3 mean?

4 MR. SINCLAIR: If you do not know, I will not
5 bother to explain it.

6 MR. DOHERTY: I would like to ask that that
7 remark of Mr. Sinclair's be deleted.

8 MR. SINCLAIR: I withdrew one other remark
9 that I thought was completely justified and, unless the
10 Chairman orders me, I would leave it.

11 THE CHAIRMAN: We will not order it withdrawn
12 at this time. At the same time, again, we have human
13 nature coming in.

14 MR. SINCLAIR: Q. Dr. Winch, could you
15 assist the Commission in this regard? As you have
16 gone along and learned a little more about economics,
17 have you found that some of your suspicions or some of
18 the things that you thought were right were not right?
19 Has that been your experience?

20 A. Occasionally I have found I had wrong
21 ideas, yes.

22 -

23 -

24 -



1
2 Q. And it could quite possibly be that with
3 greater knowledge and experience that a number of the
4 ideas that you have submitted to this Commission have been
5 wrong?

6 A. Quite possibly. If I thought necessarily
7 they were all right I would state them as facts; some
8 might be right and some might be wrong, that is why we
9 need the study.

10 Q. In the limited experience you have had in
11 transportation -- you are not a transportation economist?

12 A. Yes, but I am not a freight rate expert.

13 Q. Even as a transportation economist you would
14 expect, would you not, as you got more experience in the
15 Canadian scene and the Canadian aspects of matters that
16 a number of the conclusions you drew here might very
17 well have to be changed?

18 A. I am prepared to accept that, some of them
19 might have to be changed after study.

20 Q. It could be that most of them would have
21 to be changed?

22 A. It is a hypothetical possibility.

23 Q. One you would accept as a possibility?

24 A. The possibility, yes.

25 MR. SINCLAIR: Thank you very much.

26 THE CHAIRMAN: Mr. Doherty, any re-examination?

27 MR. DOHERTY: Yes, just brief re-examination.

28 REDIRECT EXAMINATION BY MR. DOHERTY:

29 Q. First I would like to direct Dr. Winch's
30 attention to the question raised by Mr. Cumming in his
cross-examination of yesterday when he asked Dr. Winch



1
2 to look at section 334 of the Railway Act and sections
3 32 and 33 of the Transport Act. Mr. Cumming asked the
4 question and perhaps he will correct me if I state it
5 incorrectly, if we would look at section 334 of the
6 Railway Act and sections 32 and 33 of the Transport Act
7 to determine whether or not Dr. Winch considered any
8 section of this legislation would require modification
9 having in mind the principles outlined in Dr. Winch's
10 brief.

11 MR. CUMMING: That is right, the questions I
12 asked are on pages 9033 and 9034 of yesterday's trans-
13 cript.

14 THE CHAIRMAN: Well, what is his answer now?

15 THE WITNESS: The answer is, as far as the
16 Railway Act, section 334, I can see no need for any change.
17 I have no objection to that clause. As far as the
18 Transport Act, section 32 is concerned, clause 6 of
19 section 32 which I might just read:

20 "An agreed charge shall be made on the established
21 basis of rate making"

22 And then it goes on. I would suggest that the
23 words "established basis", of course, include the criteria
24 which I have outlined in paragraph 21 and 22 to this
25 Commission, simply, on a matter of interpretation of what
26 it is, I suggest that criteria be included. Section
27 33 (1) of the Transport Act I do not necessarily suggest
28 any changes but I was wondering why the delay of three
29 months in section (1), why it is that a carrier goes to
30 the Minister to complain while a shipper goes to the
Board. I do not follow this. I do not see any objection



1
2 to this part if there is a good reason for it. Apart
3 from this I have no objection to the other Act.

4 MR. DOHERTY: Dr. Winch, may I direct your
5 attention to volume 48, yesterday's transcript, at page
6 9098 at the lines starting -

7 MR. CUMMING: There was another question, before
8 my friend goes on which I think he is proceeding to do,
9 there was another question that was left to be dealt with
10 and that was the question of the figures that are referred
11 to on page 9032. My friend and Mr. Winch were going to
12 look at the percentages of traffic or revenue from
13 traffic moving on statutory rates and add them to the
14 table shown at the bottom of page 6 of Dr. Winch's sub-
15 mission. I was wondering if they had the opportunity to
16 do that. It is page 9032, line 9.

16 THE WITNESS: The table, paragraph 16, page 6
17 of my submission, I checked with Canadian Trucking
18 Associations and you will remember these data were from
19 a submission of Canadian Trucking Associations and the
20 data given actually do not include the statutory grain
21 rates.

21 MR. CUMMING: I appreciate that. The question
22 was will you take a movement on the statutory grain rate
23 and add it to the movement in western Canada so we can
24 then compare the percentage totals.

25 THE WITNESS: I am afraid I do not have the
26 data on percentage on statutory grain rates, I am sorry.

26 MR. DOHERTY: Q. Now, may I direct your
27 attention to page 9098 of volume 48 being the transcript
28 of yesterday, lines 12 to 15 approximately and this is
29
30



1
2 in answer to one of Mr. Cummings' questions and you say:

3 "THE WITNESS: My answer would be yes to and from.
4 But from Saskatoon's standpoint, the most important
5 is to and from eastern Canada. From the standpoint
6 of Regina, both apply equally."

7 Would you perhaps explain what you had in mind
8 particularly saying in the last sentence, "from the stand-
9 point of Regina, both apply equally."

10 A. If I actually said those words, I was giving
11 a wrong impression. I am not speaking of the standpoint
12 of Regina, what I meant to say is from Saskatoon's
13 standpoint the most important is to and from eastern
14 Canada. The important thing is that the rates be equal
15 for Saskatoon and Regina. Merely a correction on that.

16 THE CHAIRMAN: You want a group?

17 THE WITNESS: Yes, it was when we were talking
18 about the group yesterday.

19 MR. DOHERTY: Q. Now may we look at page 9131,
20 lines 19 to 26. I think perhaps in answering this question
21 there was perhaps some discussion at the time and the
22 answer might have not been completely recorded. Would
23 you like to look at these lines, starting at line 19 and
24 perhaps expand them and give the answer you intended to
25 give.

26 A. Yes, the impression is definitely wrong.
27 What I was intending to say should continue from this
28 in the sentence beginning in line 20 and it should read:

29 "What you are suggesting is because an English
30 supplier can land his skelp in British Columbia after
paying full costs of transport at a price lower than



1
2 "the price a Canadian producer can provide it in
3 British Columbia after paying full cost of transport
4 then in order to protect the Canadian producer one
5 does not pay a tariff on the import but reduces the
6 freight rate on domestic production."

7 I think the end of my answer there was either
8 omitted from the record or there was an interruption and
9 I did not complete the sentence.

10 Q. Now, may we look at page 9137 of the
11 transcript of yesterday at lines 8 to 12. At this point
12 you were discussing with Mr. Alley the question of density
13 and you have given an answer there in which you say:

14 "If you have a difference in density, which difference
15 does affect costs, and assuming that there is a
16 difference in costs because of density, then the
17 ceiling on rates would be different because the
18 ceiling reflects the total cost."

19 Now, would there be other factors that you
20 would take into consideration in this regard?

21 A. Oh yes, there are numerous factors which
22 affect total cost, density is just one of them.

23 Q. So that density by itself is simply one of
24 several factors?

25 A. Yes. The cost of constructing and main-
26 taining a line would be important. I think here we would
27 consider British Columbia and the prairies and I think
28 it was suggested there were different factors which would
29 be important in the costs of constructing a mountain line
30 across the mountains compared to on the prairies. That
would affect rates.



1
2 THE CHAIRMAN: Would you want the mountain
3 rates to be restored?

4 THE WITNESS: Not necessarily in that form
5 specifically with reference to the mountains, but if one
6 is putting a ceiling in relation to costs then all those
7 factors would be part of the costs, construction and
8 maintenance and density of traffic. There will be a lot
9 in there affecting costs.

10 MR. DOHERTY: That concludes my re-examination.

11 THE CHAIRMAN: Mr. Balch, have you any questions?

12 MR. BALCH: No.

13 BY COMMISSIONER GOBEIL:

14 Q. Dr. Winch, on page 5 in answer to a question
15 by Mr. Cumming you said, I believe, that railways should
16 have some limitation on the competitive rates?

17 A. Yes.

18 Q. If you did develop this point I did not
19 understand it. Would you elaborate?

20 A. Yes, it is in paragraph 21 and 22 on page
21 8 where I lay down two conditions to be met. The first
22 is that the rate is remunerative by which I mean it
23 covers more than the direct cost of the movement and the
24 second is that it is at such level which maximizes the
25 return over direct cost.

26 Q. Well then, these limitations are already
27 there.

28 A. I do not think the second one is there.

29 Q. The competitive rate has to be remunerative.

30 A. That is true but the second condition, they
have to be at the level which maximizes the revenue over



1
2 direct costs is not at present there. That is an
3 additional criteria which I am suggesting.

4 Q. "Maximizes" I do not know. On the following
5 page in paragraph 15 referring to a truck transport, in
6 the third line:

7 "Ontario and Quebec have pioneered in this field
8 largely because their climatic conditions make the
9 construction of all-year highways feasible, while
10 our trucking industry is hampered by low weight
11 limits...."

12 Well, as far as Quebec is concerned, I do not
13 think that all-year highways are easier there than they
14 might be anywhere else in the west.

15 A. I am not suggesting that they might be.

16 Q. I think they are harder, as a matter of fact.

17 A. They may be, I have not studied the position
18 of Quebec's highways.

19 Q. So this would not apply. As far as weight
20 limits are concerned, and using the statistical clause
21 by Mr. Hume yesterday for Quebec, again the weight limits
22 would be smaller than Saskatchewan by some 12,000 pounds.

23 A. I am not familiar with the current rates
24 in Quebec. I do not think there is a lot of difference
25 between Saskatchewan and Quebec. Certainly Quebec weight
26 limits are lower than Ontario.

27 Q. You said that Saskatchewan is lower than
28 Quebec and Ontario.

29 A. I did not say that.

30 Q. Well, to put it another way, they are
higher than Quebec then?



1
2 A. Where have I said that? I do not remember
3 saying that Saskatchewan at present had lower weight
4 limits than Ontario and Quebec.

5 Q. But you say here Saskatchewan has low weight
6 limits?

7 A. Yes.

8 Q. And you compare that in your first sentence,
9 you say Ontario and Quebec and I think Mr. Hume told you
10 that Quebec weights are lower than Saskatchewan so this
11 will not be correct.

12 A. I think we can reconcile this. Over the
13 years the trucking industry has grown up in Ontario and
14 into Quebec more quickly than in the west largely
15 because of better road conditions and greater density of
16 population, more suitable terrain and economy for truck
17 transportation and because of that Ontario and Quebec
18 have a head start over the rest of the country.

19
20 (Page 9300 follows)
21
22
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30



1 Now, Saskatchewan has recently in the last few years
2 improved its weight limits. They are still not as
3 high as in neighbouring prairie provinces, and the
4 truck industry is developing; this is something that
5 has developed. I think one must distinguish between
6 what has happened over the years, and what the current
7 weight limits are.

8
9 Q. Don't you think, if a province spends
10 millions of dollars to make highways, that they should
11 benefit and have the advantage of the expenditure by
12 getting competitive rates -- are not those competitive
13 rates justified?

14 A. They are not justified in any ethical
15 sense that the province deserves the money back. They
16 are justified in that the railway has to meet the com-
17 petition. The province gets its money back by gasoline
18 and licence taxes. The users pay for the highways.

19 Q. In the brief of the Province of Quebec
20 which we heard this week, they claimed that they have much
21 less rail track mileage than any other province -- four
22 or five times less than Saskatchewan, for instance,
23 per head of population -- and as such they had to spend
24 extra money on highways. Now, they are benefiting
25 from the expenditures they have made. This should not
26 be normally expected, you say?

27 A. That if you spend money on highways you
28 get a return from them, yes, that is normally to be
29 expected.

30 MR. SINCLAIR: I wonder, Dr. Gobeil, on that



1 very point you have raised, there is a comparison made
2 in the Stanford Study that may be useful to the Commis-
3 sion:
4

5 "(Page 106): It is, therefore, not surprising
6 to find that there has been remarkably heavy
7 capital investment in transportation facilities.
8 For instance, in 1957 Saskatchewan had almost
9 20 per cent of Canada's single track railway
10 mileage and more than 15 per cent of Canada's
11 surfaced roads -- almost four times as much
12 railway traffic and three times as many sur-
13 faced roads per capita as the average for all
14 Canada."

15 COMMISSIONER GOBEIL: Yes, that was confirmed
16 by the Quebec brief.

17 THE CHAIRMAN: In due course we will have a
18 copy of that.

19 MR. SINCLAIR: Yes.

20 COMMISSIONER GOBEIL: Q. In paragraph 19,
21 I have a note when you said that competitive and agreed
22 charges were lower than class rates. I was wondering,
23 in view of the fact that competitive and agreed charges
24 were over the average ---

25 A. Are they over the average? I think the
26 point Mr. Sinclair established with his data was ---

27 Q. Agreed charges were 2½ cents, and the
28 average of all charges, excluding statutory grains, was
29 2 cents.

30 MR. SINCLAIR: 1.8 cents.



1 THE WITNESS: Well, agreed charges alone
2 versus all other traffic, including statutory rates,
3 quite possibly.
4

5 ~~COM~~MISSIONER GOBEIL: Q. They are above
6 the average?

7 A. If you include the statutory rates.

8 Q. No, excluding. It would be one cent
9 more if statutory rates are included?

10 A. Yes.

11 Q. Page 9 is the one I am a little confused
12 on. In answer to Mr. Cumming you said, if my notes
13 are correct, "Other rates should not be higher as a
14 principle of equity." If they are not higher, there
15 would be no more class or commodity rates?

16 A. I did amplify this later in yesterday's
17 cross-examination, that as a strict principle of equity
18 that would help, but I agreed later it was unworkable
19 in terms of the losses the railways might make. But,
20 if we have it established that the competitive rates are
21 above the average, the whole thing seems to become topsy-
22 turvy.

23 Q. You mean, in other words, that that
24 solution is not workable?

25 A. No. In terms of the strict equity it
26 sounds an ideal, but it is not in terms of the deficit
27 which the railway is making.

28 Q. You also said no rate should be over the
29 total cost, which would be a ceiling? That was your
30 solution, of a maximum of total cost and a minimum



1 covering on the direct cost?

2
3 A. Yes, minimum direct and maximum total
4 including a fair rate of profit.

5 Q. But if you say in the railways no rates
6 should be above total costs wouldn't you apply the same
7 principle in any other assets of the railways?

8 A. Not necessarily. I don't think we can
9 get into other forms of business here. We are discus-
10 sing transportation.

11 Q. You said this afternoon that water trans-
12 port was the same business and an hotel was the same
13 business?

14 A. Other forms of transportation. I don't
15 think we need to go into other forms of business.

16 Q. Well, take the water transportation?

17 A. Yes, that would be a form of transportation,
18 such as trucks, airways and pipe lines.

19 Q. So, in the other forms of transportation
20 the railways should not be entitled to charge over total
21 costs either?

22 A. Not while conducting a transportation enter-
23 prise, no.

24 Q. Well, how could they get the loss in rail
25 -- how could they get it somewhere else, because, accord-
26 ing to your principles, in the "somewhere else" there will
27 be nothing above total costs?

28 A. I put forward two possible suggestions for
29 the Commission to consider. The first, that the railways
30 should nowhere be allowed to make up deficits on some



1 movements by profits on other movements. Nowhere
2 should a rate be above total cost. As an alternative
3 I suggested they be allowed to make up deficits on
4 some movements by profits on all other operations, rail
5 and non-rail. If you are going to put in the other
6 movements to make a profit, you must put everything in.
7

8 Q. But if you add that up, they are not per-
9 mitted to do more than total costs?

10 A. If everything else is making a loss, it
11 doesn't really help -- if every other form of enterprise
12 is making a loss.

13 Q. In answer to the Chairman yesterday, on
14 the same subject, you said that there would have to be,
15 in view of the fact that railways should not have rates
16 over the total costs, there would have to be extensive
17 subsidies or bankruptcy?

18 A. Well, not necessarily bankruptcy of the
19 entire railway company, but certainly go out of opera-
20 tion on the unprofitable movements, or receive a subsidy.

21 Q. On rail?

22 A. On the unprofitable rail movement, yes --
23 one or the other.

24 Q. Well, there would have to be extensive
25 subsidy or bankruptcy on rail? If there is no
26 subsidy it would have to be bankruptcy?

27 A. Not necessarily. One might be able to
28 cease operations on certain unprofitable operations.
29 My attitude is that if the traffic is worth carrying it
30 should pay its total cost. If it is not worth its total



1 cost, then, don't carry it. But, if there is some
2 criteria of the national interest which says it must
3 be carried, even though it cannot pay its total cost
4 of movement, then, and only then, do you need a subsidy.

5 Q. And it would be a very extensive subsidy?

6 A. That depends how widely one defines the
7 national interest, and that is a political question.

8 Q. If there is a subsidy, the truck will
9 be at a disadvantage of having to compete against an
10 organization which is almost entirely subsidized?

11 A. One would only be subsidizing movements
12 which can't pay their costs, and the only reason for
13 subsidizing them is if it is really in the national
14 interest that they go by rail rather than truck. If
15 it does not matter, then they can go by truck. If
16 the national interest says they must go by rail, then
17 you subsidize them and they go by rail.

18 Q. But how can you come to such a heavy
19 subsidy without nationalization -- state control?

20 A. I don't think the subsidy need be that
21 extensive, if one does not define the national interest
22 too broadly. How many of these unprofitable movements
23 are worth subsidizing? That is the question -- and it
24 is a political question. What I object to is making
25 the subsidy come from other rail movements. If we want
26 to subsidize them, and if it is in the national interest,
27 then the nation must do the subsidizing, and not some
28 other shipper.

29 Q. You said one thing for sure, anyhow, and
30



1 that is in paragraph 24, speaking of the extensive
2 subsidy: you said it was unsound?

3 A. Yes.

4 Q. Speaking of subsidies again, in your
5 paragraph 23, the last sentence says:

6 "If the West is to be relieved of the
7 burden of subsidizing the east in this way,
8 where else is the revenue to come from?"

9 Would it not be more proper to say the East is sub-
10 sidizing the West, or, Saskatchewan, after the figures
11 were given by Mr. Alley yesterday, when he says that
12 81 per cent of traffic originating from Saskatchewan
13 moves on agreed, competitive or statutory rates?

14 A. Well, that of course includes the
15 statutory rates, and I have excluded it from my sub-
16 mission as being a separate problem, which is a difficult
17 one, a complex one, and one which I have not studied and
18 one on which I can offer the Commission no assistance.
19 If one leaves the statutory rates out of it, then the
20 other movements in the West, the class rate movements
21 particularly, are subsidizing movements in the East,
22 and it is with these movements that the City of Saskatoon
23 is predominantly concerned -- that Saskatoon is paying a
24 subsidy.

25 Q. Well, you may take away the statutory rates
26 but for the people in eastern Canada they are still there.

27 A. That is the problem of the statutory rates,
28 and it is a problem which I have not gone into and on
29 which I have offered no submission.
30



1
2 Q. Do you know the percentage of the grain
3 which is moving on statutory rates -- the percentage of
4 the volume in Saskatchewan?

5 A. I don't know the figure. I imagine it
6 is rather high.

7 Q. Would it be forty per cent?

8 A. Something like that, I should imagine, but
9 I don't know the figure.

10 Q. There would be still 41 per cent moving
11 on competitive and agreed rates from Saskatchewan?

12 A. I don't think competitive and agreed would
13 be that high.

14 Q. That is, according to the analysis Mr.
15 Alley was citing?

16 A. Competitive rates and agreed charges in
17 the west in 1957 were 32.1 per cent. I have that figure.

18 THE CHAIRMAN: That is all western Canada?

19 THE WITNESS: Yes, that is right, but there
20 again western Canada as a whole is different from
21 Saskatoon in particular. The problem of Saskatoon is
22 that while it is in the middle of western Canada,
23 Saskatoon uses largely the higher rail rates, and Saska-
24 toon is suffering this profit-making system and is paying
25 the subsidy.

26 Q. At page 26 in paragraph 71, the last
27 sentence, you say:

28 "If rates were reduced at least to the
29 levels in other parts of the country the impetus to dev-
30 elopment so caused would bring rapid growth



1 in the volumes of freight and more revenue to
2 the railways than they at present secure from
3 stunted development at high rates."

4 On what is that statement based? Do you have any
5 special point there?

6 A. There is very little concrete data on
7 this, of course. Potential development is always
8 rather a nebulous thing, but my opinion is that with
9 potential development in the north prairies, particularly
10 north of Saskatoon, there is a lot of potential develop-
11 ment of industry, mineral extraction and such like, and if
12 our rail rates were reduced, the volume of traffic
13 would grow as the industry developed.
14
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2 Now, it is my opinion that we have an elastic
3 demand curve in that sense, that a ten per cent reduction
4 in rates would perhaps lead to a more than ten per cent
5 expansion in traffic, and that would, of course, lead to
6 higher aggregate rail revenues.

7 Q. But you are talking about lines that are
8 already established. You are talking of the development
9 of rates on lines which are already in existence, not
10 on some hypothetical line.

11 A. Mainly on lines already in existence. It
12 may be necessary to extend the lines into new regions
13 as they open up, but mainly on lines that are already
14 there.

15 Q. You mean on those new lines that have just
16 been recently established at rates which are higher than
17 in regions where they have been established a long time
18 ago.

19 A. I don't know the position of new lines that
20 have been recently established. I didn't know there was
21 a great deal of railroad building going on in the region.
22 But certainly in rates in Saskatchewan, serving Saskatoon,
23 many of those rates are higher than on the lines serving
24 Calgary, Regina or Manitoba, and that is tending to
25 create industrial settlement there at the lower rates
26 and, of course, hindering industrial settlement in the
27 north.

28 COMMISSIONER GOBEIL: That is all.

29 BY COMMISSIONER ANSCOMB:

30 Q. As I 'try' to unravel all this theory that
you have given us and which, in theory, may be perfect,



1
2 the Commission, as a Commission, has to deal with the
3 facts of life.

4 A. Agreed.

5 Q. When it gets down to the end of it... I
6 think they are pretty confused. Am I correct in saying
7 that what you are saying is that if you were in charge
8 tomorrow morning of the railways of Canada you would say
9 that no freight rates should be less than its direct
10 costs and no freight rate should be over its total cost?
Is that what you said?

11 A. That is an objective of public control.
12 Those criteria would apply, yes. Of course, if I were
13 running a railway I would try to make a profit - anybody
14 would.

15 Q. That is different to what you are doing now.

16 A. If I wanted to make a profit, that is quite
17 different to what I am suggesting should be done in the
interests of the country..

18 Q. Now you are going to get us into a tangle
19 pretty fast on that basis, because what is in the
20 interests of the railways should be in the interests of
21 the country.

22 A. Not entirely. If one does that one
23 abolishes the Board of Transport Commissioners and one
24 gives the railways a free hand to charge what they like.

25 Q. Do you want bankrupt railways?

26 A. No.

27 Q. You agree with me that a financially
28 sound and properly running railway would be more benefit
29 to the nation than a bankrupt one?
30



1
2 A. Yes. But the railways which are maximizing
3 profits and restricting development to do it would not
4 be desirable.

5 Q. You want nothing below direct costs and
6 nothing above total cost?

7 A. As a desirable objective, yes.

8 Q. In that event, there must inevitably be
9 deficits.

10 A. Yes.

11 Q. Will you tell me why I, as a taxpayer, or
12 anybody else as a taxpayer, should have to pay the deficits
13 of any industry that can afford to pay its freight rates,
14 unless you are talking socialism?

15 A. I am not talking socialism, and whether
16 I am a socialist or not a socialist, I will always dis-
17 cuss it with anybody who wants to. My point is if a
18 certain movement is not covering its total cost, either
19 stop the movement or, if the public says it is in the
20 public interest that that movement must continue, then
21 the public which says that must pay for it in their
22 taxes.

23 Q. Not necessarily the public that says that
24 pays for it.

25 A. When the public says it is in the public
26 interest, it is up to them to see how they get the
27 revenue, just as very high freight rates on particular
28 commodities as and where they can be levied, whether
29 you put it on certain shippers or on the nation at large.

30 Q. I want to ask about the last three lines
on page 28. I wasn't there when the agreement was made



1
2 and I have no knowledge of what was in the minds of the
3 gentlemen who made it. You say:

4 "Grants of money, land, completed line and tax
5 exemptions were in the nature of a subsidy to meet
6 such deficits as now arise from the obligation of
7 the Company to provide rail services."

8 Who told you that?

9 A. My understanding from the certain amount
10 of reading which I did do on this background, historical
11 material, and which was by no means exhaustive, was that
12 money, land grants to the railways were granted in
13 exchange for an agreement that the railways would operate
14 and build the line in perpetuity. If that were so,
15 then there was an obligation on the railways to build
16 the line and operate it in perpetuity. If movement on
17 that line cannot cover total costs, then the railways
18 are going to have deficits keeping their side of the agree-
19 ment, and, if that is so, then one must look at both
20 sides of the contract. If, in doing the service, it is
21 costing them money, one must remember that they got the
22 land to do it. That is all I am saying.

23 Q. Now, I want to take you back for a moment.
24 As I say, I am satisfied you dealt with this before, but
25 it isn't clear to me. There is no need for me to read
26 it. The last words are:

27 "... and it is our contention"

28 - that is the city, Saskatoon Board of Trade -

29 "...that these conditions are not met."

30 Would you just elucidate that for me?

A. Yes. The conditions are, of course, the



1
2 two paragraphs that follow, and it is our belief, our
3 suspicion that were an examination conducted the results
4 in many cases would be that the adjustment of these rates,
5 possibly upward, may result in greater return to the
6 railways over direct costs. We have the suspicion that
7 where a competitive rate is moving the traffic it may well
8 continue to move a large part of that traffic at a slightly
9 higher rate, not necessarily all of it, and if that is
10 true, then our condition is not met. We cannot prove it.
11 The suspicion is one which leads one to study it, and
12 study gives the facts. I have not had the time to make
the study.

13 Q. Do you think that would be a very sound
14 proposition for a great industry to move on your suspicion
15 and perhaps find it not right?

16 A. No, but when one has a suspicion of this
17 type we do suggest it is worth examining, to find out
18 whether the facts prove the suspicion. That is why we
19 have a study: we have the suspicion. We merely suggest
20 that if one wants to know the answers one has to do the
study. We haven't had time to do it.

21 Q. And you think the railways themselves have
22 not done it?

23 A. I don't think they have done it adequately.
24 I understand that they have done it on one form of move-
25 ment, but I don't think they have - if they have done it
26 they haven't made it available to me. I don't know what
27 they have got. I haven't access to enough.
28
29
30



1
2 BY COMMISSIONER MANN:

3 Q. I have a few questions, Dr. Winch.

4 Is there any place in an economic enterprise
5 for the principle of internal subsidy?

6 A. This largely depends on what you mean by
7 "internal subsidy". If you would include the two-part
8 tariff as an internal subsidy, I would say yes, there is
9 room for it in some cases.

10 Q. What do you think would be the optimum, then,
11 for an internal subsidy?

12 A. A system where one has to allocate joint
13 costs where the demand factor is such that they can't
14 allocate them equally.

15 Q. Do you think that that circumstance is in
16 the railways?

17 A. Yes.

18 Q. Joint and common costs?

19 A. Yes, that circumstance does arise in rail
20 operations.

21 Q. So in those conditions of joint and common
22 costs you will allow that internal subsidies are feasible?

23 A. Well, if you call that an internal subsidy.
24 My own use of the term has been more restricted. If you
25 call it internal subsidy, there is certainly room for
26 price discrimination, within certain limits, yes.

27 Q. I was going to ask you about paragraph 70,
28 page 25, where you say:

29 "It is our contention that Canadian railways were
30 developed as an instrument of national policy."



1
2 Now, this gives the historical part, as my
3 understanding?

4 A. Yes.

5 Q. And then you go on and say that "as such
6 they should frame rate policies with the national inter-
7 ests in mind". Now, my question is: Do you consider
8 the railways as an instrument of national policy?

9 A. Yes.

10 Q. Entirely, without any qualification?

11 A. Not necessarily without any qualification,
12 but certainly they are an instrument of national policy.
13 Whether they are other things at the same time, I wouldn't
14 like to enter into.

15 Q. Does the same hold true for other modes of
16 carriage?

17 A. This would vary; we have to take them one
18 at a time. As far as any state-operated or state-
19 assisted form of transport - Trans-Canada Airways, maybe
20 some shipping lines - as far as they are concerned, they
21 would come in the same category, yes. As far as truck-
22 ing is concerned, it is rather difficult, that the highway
23 development would be a matter of provincial policy,
24 although the trans-Canada highway is a matter of national
25 policy, and to a large extent, as it is built up, trucking
26 becomes a matter of national policy.

27 Q. And any assistance makes a mode of carriage
28 a business of public interest?

29 A. Yes, any state-assisted or organized indus-
30 try is presumably organized or assisted in the public
interest.



1
2 Q. Would it be correct that the converse would
3 also hold true, that where an industry is not state-
4 assisted or organized it is not in the national interest?

5 A. Not that it is not in the national interest
6 but it is not an instrument of national policy. If no
7 policy is directed, it isn't an instrument of policy.
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12 (Page 9319 follows)
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2 Q. Dr. Winch, in paragraph 1 on page 1 of
3 your submission, you tell the Commission that what should
4 be done is:

5 "To formulate a national policy into which
6 regional difficulties will fit rather than to
7 search for regional solutions in the vain hope
8 that by piling these one upon the other a
9 balanced policy will result."

10 My question to you, Dr. Winch, is this: when you talk
11 about a national policy into which regional difficulties
12 will fit, how do you envisage that, as a sort of
13 monolithic policy or do you consider it a policy which
14 although it is dignified with the name "national policy"
15 is in essence, say, five policies fitted to meet
16 regional economic needs in Canada?

17 A. It may well have its sections dealing
18 with regional problems providing they are consistently
19 related and the impact of the solution between
20 regional problems of other regions is fully considered.
21 But the policy must consist of interrelated regional
22 solutions.

23 Q. If, for instance, your cost oriented
24 rate structure would not fit the needs of the Northwest
25 Territories, would you allow a departure? That is
26 a violation of the principle, you see.

27 A. That is, if one has a rate structure
28 established which suits the rest of the country and is
29 presumably too high for the Northwest Territories?

30 Q. Or too low?



1 A. It could not be too low.

2 Q. I will just say that it does not suit them?

3 A. If it was too high for the Northwest
4 Territories, then one would have in the Northwest
5 Territories a particular problem, and that particular
6 problem would be one of developing a region which pre-
7 sumably would be a developmental problem which could not
8 at first meet this full cost of transport. The solution
9 of that might be to say that the Northwest Territories
10 should not develop or it might be to say that the North-
11 west Territories are worth developing and they are
12 worth so many millions of dollars a year to develop
13 them, and we shall subsidize the rates to develop them.
14 That would be a developmental problem, and that could
15 quite well fit in with the framework of the national
16 policy.
17

18 Q. You would suggest external subsidies
19 be found rather than relying on internal subsidies to
20 carry certain regions, certain areas, or certain lo-
21 calities?

22 A. Yes, I would say that is a good summary
23 of my main principle.

24 Q. I know that what you have given us, Dr.
25 Winch -- and for this we are grateful and perhaps I am
26 the first one to say so -- is the beginnings of a
27 theory, and had you had more time and more resources
28 at your command you might have given some of these
29 matters more consideration than I want to talk to you
30 about now. You have probably not given much thought



1 to how your scheme could be translated into regulation,
2 have you?

3 A. Not a great deal of thought, no.

4 Q. Could I discuss that with you?

5 A. If you can get anything valuable out of
6 me, but I do not think I can offer much on this.

7 Q. At one time this afternoon you said you
8 require no rate regulation if you have competition?

9 A. If one has an adequate degree of
10 competition.

11 Q. At the same time, if you have the concept
12 of a ceiling -- a fully distributed cost ceiling --
13 and a floor of direct costs, how do you ensure that
14 there are no departures from this economic consideratum?

15 A. Simply that, if one has a sufficient
16 degree of competition, which means ease of entry in
17 the industry and ease of exit and the normal conditions
18 of supply, and if there are normally large profits, pre-
19 sumably a competitor could come along and try to get in
20 on it and the competition would bring the rate down.
21 If there are movements maintained at below direct costs
22 the carrier will make such big losses that he will
23 not keep at it for long -- so you may be able to put
24 your finger on a particular rate -- as I say, there
25 are limits, it would not last long. The force of
26 competition would apply.

27 Q. You are thinking mainly of competition
28 between small carriers? You could not possibly say
29 that there is ease of entry or exit in the railway
30



1 business?

2 A. No, by no means.

3 Q. So what you say holds true mainly for
4 highway carriers and unscheduled air lines?

5 A. Maybe also for shipping lines. Fields
6 where you have a number of independent firms each of
7 which is fairly small.

8 Q. So you have to make some sort of qualifi-
9 cation when you rely on competition?

10 A. In the railways you have not got an
11 adequate degree of competition and you could not have.
12 So you have to resort to regulation.

13 Q. Then you must have a regulatory agency
14 which has adequate knowledge about direct costs of
15 every movement?

16 A. It has to have adequate knowledge of all
17 costs.

18 Q. As a total bundle of costs or for each
19 movement?

20 A. I do not know that one needs it for each
21 particular railroad or movement, but certainly broken
22 down so that one can isolate movements between points
23 A and B.

24 Q. You mean, by type of commodities and cities
25 and so on?

26 A. You would have to qualify the commodity,
27 but there would be a large number of individual movements.

28 Q. In order to ensure equality, would that
29 be desirable? Would it be desirable to have some sort
30



1 of equality between the various modes of carriage, with
2 regard to this floor for rates?

3 A. Not that the floor for the railways must
4 be the same as the floor for, say, airways, but that
5 the floor for each would reflect the direct cost of
6 each.

7 Q. Would there have to be an agency to
8 ensure that the floor -- that no one sinks below the
9 basement as it were?

10 A. That would be one of the functions of
11 the regulatory body.

12 Q. The regulatory body would really have to
13 busy itself with all forms of transportation?

14 A. With the possible exception of where there
15 is an adequate degree of competition, which at present
16 might only mean trucks. I think a consistent transport
17 policy means a regulatory body which looks after all
18 them and regulates them in terms of competition.

19 Q. On page 27, in paragraph 75, you say:

20 "With developments in containerization and
21 piggy-back operations the next few years will
22 see a change in the relations between road and
23 rail transport from one of competition to one of
24 cooperation."

25 Do you envisage any lessening of interagency competition?

26 A. No, not on a widespread scale in the
27 near future, but I do envisage a greater degree of
28 cooperation.

29 Q. Do you think that in the last analysis
30



1 this cooperation will soften the competitive atmosphere?

2 A. On long movements, very much so.

3 Q. Would that stand in the way of using
4 competition as a regulator?

5 A. No, but it would limit it to part of the
6 movement. Suppose one has piggy-back operations Montreal
7 to Winnipeg. As far as the rail part of the rate,
8 i.e. the cost of shipping a trailer on a flat truck
9 is concerned, it is a matter of regulation. As far
10 as how much on top of that the new traffic charges for
11 end to end services and the use of the semi-trailer is
12 concerned, it is a matter of competition. But the
13 rail end would have to be regulated.

14
15 COMMISSIONER PLATT: Dr. Winch, I think if
16 any brief has been explained this one has. I want to
17 thank you for presenting a possible solution of the
18 freight rate problem that many people have been com-
19 plaining about here.

20 I might tell you from my personal knowledge
21 for the last ten years we have been using the same
22 script in this court room with very minor variations.
23 I think you will appreciate, of course, that anything
24 to be acceptable has to pass the hard test of practica-
25 bility.

26 THE CHAIRMAN: Thank you very much, doctor.
27 We shall adjourn until ten o'clock tomorrow morning.

28 ---Adjournment.
29
30

Mr. Meeson

ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

OTTAWA

VOLUME No.:

DATE:

50

Mar 22 1960

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NO EXHIBITS IN THIS VOLUME





ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in
the Court Room, Board of Transport
Commissioners Offices, Ottawa,
Ontario, on the 23rd day of March,
1960.

COMMISSION

Mr. M. A. MacPherson, Q.C.	Chairman
Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. H. A. Mann	Member
Mr. A. Platt	Member

COMMISSION COUNSEL

Mr. A. G. Cooper, Q. C.	
Mr. G. S. Cumming	
Mr. H. W. Ellicott	Adviser

Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary



Ottawa, Ontario,
March 23, 1960.

---On commencing at 10:00 a.m.

THE CHAIRMAN: Order, gentlemen, please. I would ask the Secretary to read a statement into the record.

THE SECRETARY: The object of this statement is the conduct of the hearings and limitations to cross-examination.

1. The problems besetting transportation in this country which led to the appointment of this royal commission are so widespread and deep-rooted that this Commission determined early in its life that it would go through all regions of the country in order to give as much opportunity for expression of discontent and possible solution as was consistent with the instructions urging all reasonable despatch. As a consequence of this policy we went into the maritimes and into the western provinces and were met with a candour, frankness and boldness which illustrated positively to the Commission that the problems needing solution also needed a forum for their expression. The Commission has never departed from this policy of allowing the fullest opportunity for briefs to be submitted, examination and cross-examination to be conducted without restriction.

2. The regional hearings, and the December-January hearings on the Crow's Nest problem from the railways, have convinced the Commission that most of the major problems likely to be brought before it have now appeared. The hearings which will be held by this Commission from this point on will therefore be in the nature of eliciting



1
2 additional substantive material on solutions to these
3 problems coming out of the submissions, examination, and
4 cross-examination.

5 3. The order-in-council which established this
6 Commission made very plain that we must proceed "with all
7 reasonable despatch". This Commission has distributed
8 amongst the interested parties a proposed schedule of hear-
9 ings from this date until July, 1960, in which each major
10 organization has been given an indicated spot. This ann-
11 ouncement now serves notice on each organization named
12 in that schedule of hearings that the 15-day rule must be
13 adhered to. The Commission expects to have twenty-five
14 copies of each brief in the hands of its Secretary at least
15 fifteen days prior to the scheduled date on the program
16 you have before you. We expect that there will be no
17 exceptions. Those organizations whose briefs do not
18 arrive in the hands of the Secretary fifteen days prior to
19 the scheduled hearing will lose their place and will not
20 be heard at the scheduled time. This Commission offers
21 no guarantee that later opportunity to be heard in public
22 session will be forthcoming. It is not to our liking to
23 make a ruling of this nature, but without it adequate pre-
24 paration for cross-examination will not be possible and
25 we ask the co-operation of all parties in order that all
26 submissions may be adequately heard.

27 4. At the same time that briefs are mailed to
28 the Secretary of this Commission they should, in courtesy,
29 be mailed to counsel for each of the organizations which
30 appear on our schedule of hearings. The Secretary will
supply names and addresses on application.



1
2 5. All counsel representing governments and
3 organizations before this Commission have had unrestricted
4 opportunity of cross-examination in the regional hearings.
5 At the sittings in Ottawa unrestricted cross-examination
6 will not be the order of the day. We, as a Commission, are
7 reluctant to place any hard and fast rules upon counsel
8 but, upon it becoming evident that cross-examination is
9 repetitious or argumentative or is being conducted for a
10 purpose which is not apparent to the Commissioners as
11 being to their assistance, or if time does not permit,
12 rules limiting cross-examination will be made. For
13 example, the Commission after examination of a brief may
14 set a maximum time for cross-examination and apportion
15 that time between counsel as the Commission feels the brief
16 bears most heavily upon the parties appearing before it.
17 In order that the business before the Commission may be
18 carried on as expeditiously as possible, we make a strong
19 appeal to counsel to co-operate so far as the interests
20 of their clients are similar, and to apportion between
21 themselves the task of cross-examination. On one other
22 occasion we asked for this type of co-operation and it
23 seemed to work well. The Commission feels that it can be
24 made to work again and will cut down the time spent in
25 public hearings by many weeks without impairing the use-
26 fulness of hearings.

27 MR. McDONALD: Mr. Chairman, if I may just
28 before beginning refer the Commission to the hearings at
29 Regina on February 13, 1960, volume 34 of the transcript,
30 the evidence of Mr. Woodward at page 5301 where he was
talking about the Hudson Bay Railway. I wanted to



1
2 clarify the record and I would like a copy of the order-
3 in-council entrusting the Hudson Bay Railway to the C.N.R.
4 to be taken into the record. I will not take the time of
5 the Commission to read it but it may be taken into the
6 record.

7 THE CHAIRMAN: Surely.

8 MR. COOPER: Is Mr. McDonald asking that it be
9 marked as an exhibit?

10 MR. McDONALD: No, just taken into the record.

11 P. C. 1958-217

12 PRIVY COUNCIL

13 CANADA

14 AT THE GOVERNMENT HOUSE AT OTTAWA

15 FRIDAY, the 7th day of FEBRUARY, 1958.

16 PRESENT:

17 HIS EXCELLENCY

18 THE GOVERNOR GENERAL IN COUNCIL:

19 WHEREAS by Order in Council P. C. 3340 of 27th
20 July, 1948, the management and operation of the Hudson
21 Bay Railway was, as from and after the first day of August,
22 1948, entrusted to the Canadian National Railway Company,
23 subject to certain financial arrangements then in effect,
24 that the Government of Canada be responsible for the annual
25 operating deficits and provide the necessary capital for
26 improvements by the items in the annual estimates of the
27 Department of Transport;

28 AND WHEREAS the Minister of Transport reports
29 that this arrangement is unlike other entrustments of
30 Government railways to the Canadian National Railway Com-
pany under which operating expenses and capital costs of



1
2 the railways entrusted are met directly by the Canadian
3 National Railway Company out of its general financing;

4 That in view of the progressive improvement in
5 the volume of traffic handled on the Hudson Bay Railway
6 during the last few years, and in view also of the oper-
7 ation of the new branch line commencing near Sipiwesk,
8 mileage 200.1, on the Hudson Bay Railway and terminating
9 at Thompson to serve the large mining development being
10 carried out at Moak and Mystery Lakes, which branch line
11 will be directly owned by the Canadian National Railway
12 Company and which will further improve traffic conditions
13 on the Hudson Bay Railway, it is considered advisable to
14 make a change in the terms of entrustment so as to incor-
15 porate the Hudson Bay Railway fully in the Canadian Nat-
16 ional Railways System and thus eliminate the present
17 special financial arrangement and the items in the Depart-
ment of Transport annual estimates; and

18 That the Canadian National Railway Company would
19 operate the Hudson Bay Railway on its own account, pro-
20 vide the necessary funds for capital requirements, and
21 also provide funds for the operation of the railway and
22 include any surplus or deficit of the Hudson Bay Railway
23 in the surplus or deficit of the Canadian National
24 Railways System in the same manner as it does in respect
25 of other Government Railways entrusted to the Company for
26 management and operation.

27 Therefore, His Excellency the Governor General
28 in Council, on the recommendation of the Minister of
29 Transport, pursuant to Section 19 of the Canadian National
30 Railways Act, is pleased hereby to revoke Order in Council



1
2 P. C. 3340 of 27th July, 1948, and to entrust the Hudson
3 Bay Railway, as from and after the first day of January,
4 1958, in respect of management and operation thereof to
5 the Canadian National Railway Company, upon the terms in
6 the said Act expressly specified.

7 Certified to be a true copy

8 "A. M. Hill"

9 A. M. Hill

10 Ass't Clerk of the Privy Council.

11 MR. McDONALD: I would also refer the Commission
12 to Exhibit 77 which is the annual report of the Canadian
13 National Railways for 1958. At the bottom of page 21 there
14 is a reference to the Hudson Bay Railway and it shows
15 that the shareholders' equity account was increased by
16 \$34,700,000. I just wanted to get these facts before
17 you. I might say I had spoken to Mr. Doherty about this.

18 MR. DOHERTY: Mr. Chairman, I was going to say that,
19 as I appeared for the Hudson Bay Route Association in
20 Regina, Mr. McDonald was good enough to give me notice
21 of this material this morning and I will bring it to the
22 attention of the Association.

23 THE CHAIRMAN: Bring it to the attention of
24 Mr. Woodward.

25 MR. DOHERTY: I will, sir.

26 THE CHAIRMAN: The Canadian Lumbermen's Assoc-
27 iation.
28
29
30



1
2 SUBMISSION OF
3 CANADIAN LUMBERMEN'S ASSOCIATION
4

5 Appearances:

6 Mr. Gordon Rochester

7 Mr. Roy Halliday
8
9

10 MR. HALLIDAY: Mr. Chairman, with your approval
11 and that of your colleagues I would like to take our brief
12 as read.

13 THE CHAIRMAN: Well, we can do that.

14 MR. HALLIDAY: On November 17, 1958, after
15 public hearings at which the Canadian Lumbermen's Associa-
16 tion were represented, the Board of Transport Commissioners
17 for Canada issued a judgment and order allowing the Can-
18 adian railways to increase their rates by 17 per cent ef-
19 fective December 1, 1958, with certain exceptions. The
20 railways are also permitted to exercise their discretion
21 as to how they apply the increase to the competitive
22 rates. (Seventeen per cent cut back to 10 per cent,
23 August 1, 1959.) The judgment was appealed to the Gover-
24 nor in Council who confirmed it in full. This was the
25 seventh horizontal "general" increase to Canadian rates
26 since April, 1948.

27 The Board of Transport Commissioners have a
28 duty by law to fix, determine and enforce just and reason-
29 able rates, and to change and alter rates as changing
30 conditions or cost of transportation may from time to time
require. (The Railway Act (R.S.C. Chapt. 234), Section



1
2 328, para. 5). This reasonableness must extend to the
3 shippers as well as bring the railways sufficient revenue
4 to carry on their operations.

5 The Canadian Lumbermen's Association believes
6 that the Board of Transport Commissioners are not now in
7 a position to grant rates which are just and reasonable
8 for the lumber industry because of inequities in the rate
9 structure which are beyond the Board's power. We refer
10 specifically to the statutory (Crow's Nest Pass) rates on
11 grain in western Canada.

12 Western grain accounts for over one-quarter of
13 the ton miles of freight hauled by the Canadian railways.
14 Yet this traffic still moves at rates which were set in
15 September, 1899, by an agreement between the Canadian
16 Pacific Railway Company and the government of Canada.
17 The Canadian National Railways is not a party to the con-
18 tract, but is obliged to keep its rates at the same level
19 as the Canadian Pacific Railway Company. Furthermore,
20 by General Order 448, dated August 26, 1927, the Board
21 ordered the rates on grain to Vancouver for export to be
22 reduced to the same basis as the rates to Fort William.

23 These rates are now too low and do not now pro-
24 vide their fair share towards the railways' earnings. An
25 added burden is thus thrown on other traffic, including
26 lumber. This is proven by the Board of Transport Com-
27 missioners' Waybill Analysis, which is a continuous one
28 per cent sampling of, all rail, carload traffic in
29 Canada. (See table 1).
30

These figures show (column 5, lines 1 and 3) that
grain moving at statutory rates accounted for nearly



one-third of the ton miles of revenue freight hauled in 1957, yet grain provides (column 6, lines 2 and 3) only 49 cents per ton mile against 2.01 cents for all other commodities. When comparing grain rates with other types of rates the following table indicates their comparative percentage provision towards earnings.

	<u>National Average</u> cents ton-mile %		<u>Statutory Grain Rates</u> Cents ton-mile %	
All Comm. Excl. Grain	2.01¢	100%	.49¢	24%
All Comm. Incl. Grain	1.57¢	100%	.49¢	31%
Agric. Prods. Excl. Grain	1.26¢	100%	.49¢	40%

The Canadian Lumbermen's Association are greatly concerned with the continually narrowing base upon which freight rate increases are applied, because lumber, which moves largely at mileage rates in the east takes the full increase each time. Table 2, which is quoted from the Board of Transport Commissioners' judgment of December 27, 1957 (with the addition of figures for 1957) shows the change in the consist of carload freight movements within Canada during the past nine years, excluding 1950 when no studies were made.

It will be seen that the traffic moving at class rates (line 1) has declined drastically during the period, and is now at about 50 per cent of its 1949 level. Traffic at non-competitive commodity rates (line 2) has declined from 53.7 per cent of the total to 41.5 per cent. These two groups take the full impact of any increase in rates. Traffic at statutory rates (line 3) take no increase. Traffic at competitive rates (line 4) take some



1
2 increases but only what the traffic will bear. Sometimes
3 this is very small indeed.

4 Of some 500 agreed charges (line 5) which are
5 in effect, less than 25 have an escalator clause which
6 allows for any immediate increase to the negotiated rates.
7 These are contracts between shippers and carriers and are
8 based on strong competition. Some of the newer contracts
9 which came into effect during the last three months of
10 1958, contain an escalator clause which is worded as fol-
11 lows:

12 "If any general increase in freight rates be ordered
13 by the Board of Transport Commissioners for Canada,
14 the agreed charge set out in paragraph "D" of this
15 agreement shall be increased in the same proportion,
16 except that no increase shall be made until the
17 agreement has been in effect for a period of one
18 year."

19 This practically precludes any increase in
20 agreed charge rates (except for the 25, or so, noted
21 above) before October, 1959.

22 Turning now from the declining traffic volume to
23 the narrowing financial base on which repeated horizontal
24 increases apply, we quote three paragraphs from the
25 Board's judgment of December 27, 1957, at page 29:

26 "In 1947 (Vol. 38, J.O.R. & R. page 64) the freight
27 revenue of the Canadian Pacific Railway was estimated
28 at \$246,170,000. In that year the traffic upon
29 which the 21 per cent increase was applied was es-
30 timated at \$134,100,000. This includes competitive
traffic to which an increase was also applied,



"deducting this competitive traffic, estimated at 8 per cent of the total, the non-competitive traffic amounted to approximately \$114,400,000.

"The Canadian Pacific now estimates its 1957 traffic for the constructive year at \$430,900,000, of which non-competitive traffic is only \$153,600,000.

"The total freight revenue has, therefore, increased since 1947 by \$184,730,000, while the non-competitive traffic, upon which the main increase would be applied, has increased by only \$39,200,000."

It is thus quite apparent that both by volume of freight moved and by dollar value of the movements the successive horizontal increases are being applied to an ever narrowing base of traffic.

In our brief to the Board of Transport Commissioners at the hearings on the last increase, we pointed out that while the total yearly production of lumber has declined but slightly since 1954, the total tonnage of lumber and forest products (excluding pulpwood) which moved by rail has declined drastically. There is the ever present competitive form of transportation which finds it easier and easier with each successive general increase in rail rates to compete for the traffic in the narrowing base group. Tables 3 and 4 show this history in graphic form.

Since a large proportion of lumber in eastern Canada moves on mileage rates, or rates closely related thereto, which take the full increase every time, we feel that the lumber rates are being called upon more and more to substantiate the statutory grain rates.



1
2 We feel that the time has come when this situa-
3 tion must be changed. We strongly urge the Canadian
4 government to look into the Crow's Nest Pass rates very
5 carefully with a view to having them increased to a level
6 which bears some relation to present day costs of trans-
7 portation. If necessary, parliament should be asked to
8 change the provisions of section 328, subsections 6 and
9 7, of the Railway Act (R.S.C. chapt. 234) to make this
possible.

10 This procedure is not without precedent. In
11 1918 the railways were allowed to increase their rates
12 on western grain as a result of their acceptance of the
13 "McAdoo Awards". By order in council of July 27, 1918,
14 the Crow's Nest Agreement was suspended. The procedure
15 was confirmed by parliament in 1919. The suspension con-
16 tinued until July 6, 1922.

17 There have been suggestions that if the statu-
18 tory grain rates are to be increased, the shipper should
19 pay no more than he does now. The suggestion has been
20 seriously made that the government of Canada should sub-
21 sidize the rates by the amount of any increase. We under-
22 stand that a proposal is to be placed before parliament
23 shortly whereby the federal government will be asked to
24 provide some 20 to 30 million dollars to lessen the impact
25 of the current increase.

26 The Canadian ~~Lumbermen's~~ Association strongly
27 disagree with this method of dealing with the problem.
28 Such schemes are not the answer. No good purpose can be
29 served by creating an artificial situation by applying
30 subsidies. Each and every segment of the economy should



1
2 bear its full share of transporting its goods. Table 1
3 shows that lumber rates provide 1.61 cents per ton mile
4 for an average haul of 814 miles. Considering the taper
5 (a formula whereby rates for longer distances are less
6 per mile of haul, compared to rates for shorter distances)
7 of rates at this distance it will be seen that lumber pro-
8 vides earnings in excess of the national average. Simil-
9 arly plywood and veneer provide well in excess of the
national average.

10 For your further consideration, we submit (tables
11 5 and 6) comparative tables of rates for hauls of similar
12 distance in Canada and in the United States. While it is
13 quite true that tolls in the United States are not the
14 criteria for reasonable rates in Canada (14-CRC-142; 17-CRC-
15 112; 12-BRC-286; 16-BRC-135; 18-BRC-441 etc. Quoted by
16 Jackman, W. T. in "Economic Principles of Transportation"
17 at page 433), we feel that there is enough similarity be-
18 tween the industry in the two countries to draw a compari-
19 son. Surely an imaginary line along the 49th parallel of
20 latitude does not create gross differences in the agricul-
21 tural industry on either side of it. It will be seen that
22 rates to Duluth, Minn., from points in North Dakota and in
23 Montana are three and one-half to four times the rates from
24 the Canadian west to Fort William. Similarly, the rates
from origins in Montana to Seattle are three and one-half
to four times Canadian rates to Vancouver for export.

25 We would like to summarize our remarks as fol-
26 lows:

27 (1) There have been several general increases
28 to Canadian freight rates since April, 1948.
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(2) These increases do not bear evenly on all segments of the rate structure.

(3) The Statutory grain rates, which account for nearly one-third of the ton-miles of revenue freight hauled by the Canadian railways do not get any increase.

(4) The statutory rates which remain at the 1899 level are too low. They provide only a fraction of the average revenue per ton mile.

(5) A large proportion of lumber moves at mileage rates, which bear the full increase each time.

(6) Lumber rates are higher than they need to be because of the disproportionately low statutory rates on grain.

(7) Parliament should suspend the provisions of section 328, subsections 6 and 7, of the Railway Act, to permit an increase to the statutory rates.

(8) Subsidies are not the answer to our present day freight rate problem. They only hide the inequities which are there.

(9) Some modern long range plans should be formulated, in the light of present day conditions.



EXTRACTS FROM THE BOARD OF TRANSPORT COMMISSIONERS

Waybill Analysis - Year 1957

1.	2.	3.	4.	5.	6.	7.
Type of Traffic	No. of Carloads	Revenue	Weight (Tons)	Ton Miles	Average Revenue per Ton Mile	Average Haul Per Ton
1. All Canada - All Traffic	21,216	5,895,574	862,723.2	376,470,867	1.57¢	436 miles
2. " - Excl. Statut. Grain	18,644	5,309,680	723,749.0	256,025,586	2.01¢	355 "
3. Statutory Grain (Commodity)	2,572	585,894	138,974.2	119,445,281	0.49¢	859 "
4. Agric. Prods. - All Commodities	4,243	1,077,293	202,363.4	158,413,073	0.68¢	783 "
5. " - Excl. Statut. Grain	1,671	491,399	63,389.2	38,967,792	1.26¢	615 "
6. Forest Prods. - All Commodities	2,610	624,914	89,324.6	38,357,917	1.63¢	429 "
7. " - Lumber	773	311,115	23,702.9	19,289,331	1.61¢	814 "
8. " - Veneer & Plywood	123	99,638	3,528.6	6,661,314	1.50¢	1888 "
9. " - Pulpwood	1,133	141,240	43,333.5	8,887,754	1.59¢	205 "

Table 1.



Distribution by Revenue of Carload Traffic on Canadian Railways, as shown by Sample Waybill Analysis of the Board of Transport Commissioners (Exclusive of International and Related Traffic)

1.	2.	3.	4.	5.	6.	7.	8.	9.
		(iii)				(ii)		
Category	Year	Year	Year	Year	Year	Year	Year	Year
	1949	1951	1952	1953	1954	1955	1956	1957
1. Traffic at "class" rates	%	%	%	%	%	%	%	%
	19.6	22.5	19.0	14.5	10.8	10.1	9.3	9.4
2. Traffic at Non-competitive "commodity" rates	53.7	50.2	49.3	45.1	49.3	44.5	41.3	41.5
3. Traffic at Statutory grain rates (i)	12.3	9.6	15.5	17.1	10.4	9.2	11.5	9.9
4. Traffic at "competitive" rates	8.9	9.9	9.1	12.8	15.8	19.7	21.0	20.5
5. Traffic at agreed charges	2.4	2.9	3.5	4.4	6.0	9.8	10.0	12.2
6. Traffic at "combination" rates	1.1	2.9	2.1	1.7	2.0	1.3	1.2	1.5
7. Traffic in mixed carloads	2.0	2.0	1.5	4.4	5.7	5.4	5.7	5.0

- (i) estimated on basis of 5-year average 1951-55
(ii) 10 months' traffic from March 1, 1955 (when equalized class rates took effect)
(iii) 3 days' traffic

Note: It is pointed out that since the Board's Waybill Analysis is, of necessity, on a sample basis, its main value has been to show broad trends rather than minute details of railway traffic.

From B.T.C. Judgment December 27, 1957, page 28.

Table 2.



Revenue Freight Loaded and Originated
in Canada 1953 - 1958

Lumber & Forest Products (Except Pulpwood)

Year Ending
December 31

All Roads

Monthly Average

1953	8,952,155 tons	746,013 tons
1954	8,576,231 "	712,961 "
1955	10,129,136 "	843,062 "
1956	10,110,683 "	832,425 "
1957	8,636,755 "	719,730 "
1958	(x) 2,977,047 "	(x) 599,409 "

(x) First five months only

Source -- D. B. S. "Railway Transport" part V

Production of Sawn Lumber
in Canada 1953 - 1958

Year

Yearly Total

Monthly average

1953	7,306,000 Mfbm.	608,800 Mfbm.
1954	7,244,000 "	604,000 "
1955	7,920,000 "	660,000 "
1956	7,737,000 "	644,750 "
1957	7,700,204 "	641,683 "
1958	(x) 4,172,000 "	(x) 593,500 "

(x) Provisional figures for first 7 months. Subject to possible upward correction. Does not include Nfld., N.W.T., and Yukon

Source - D. B. S. "The Lumber Industry"

Table 3.



Chart Showing Tons of Lumber and
Forest Products (Except Pulpwood)
Which Originated or were Loaded in
Canada, and Production of Sawn Lumber
in Canada (Thousands of f.b.m.)
Years 1953 - 1958

Thousand

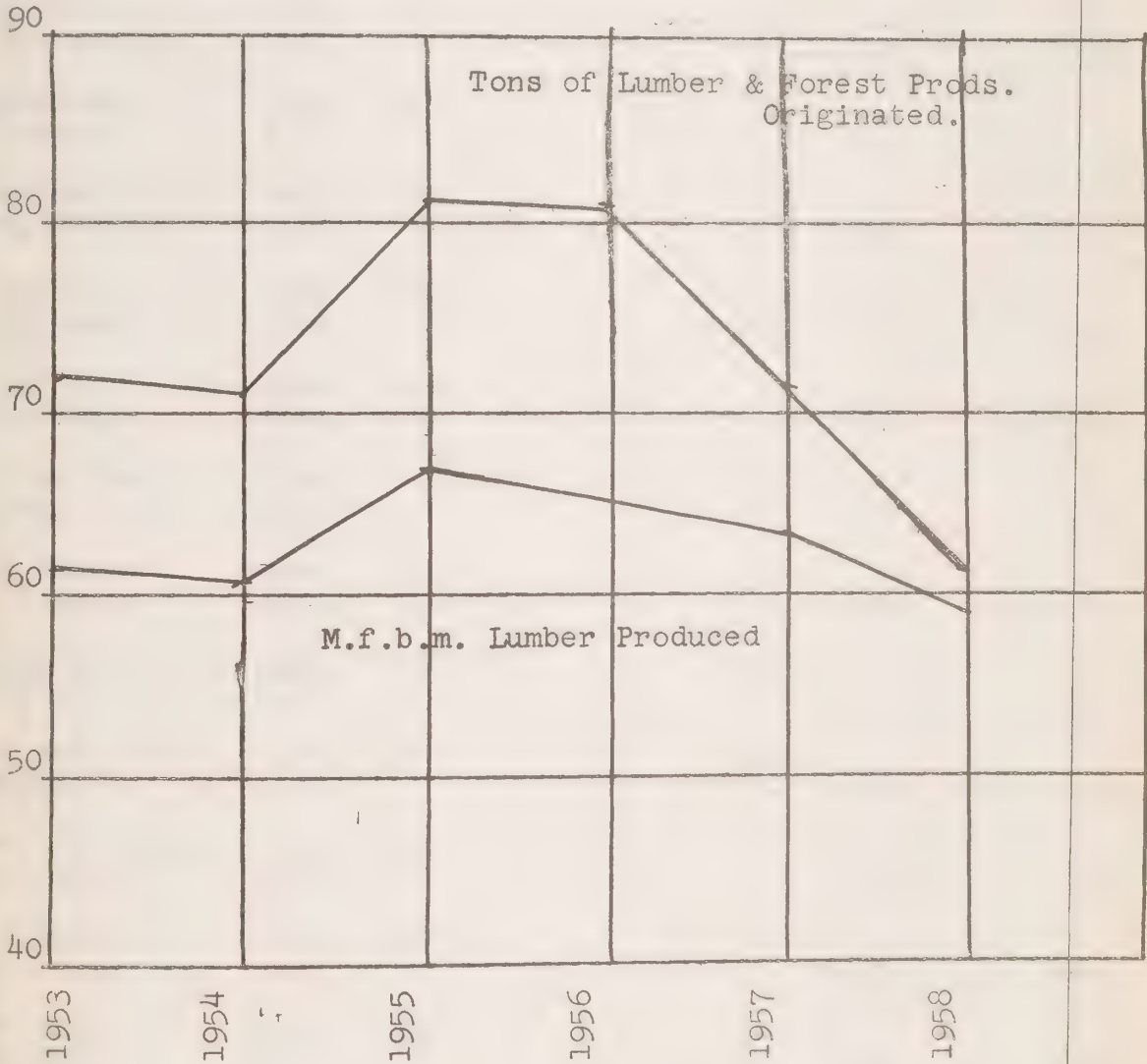


Table 4



Comparison of Rates on Wheat for Hauls in Western Canada
versus Western United States

Rates in cents per 100 lbs.

F R O M

To: Fort William, Ont.

To: Duluth, Minn.

Miles

Rate

Miles

Rate

5	Winnipeg,	Man.	420	14	-	-
6	York,	N.D.	-	-	420	46
7	Rosser,	Man.	435	15	-	-
8	Carrington,	N.D.	-	-	437	42½
9	Brandon,	Man.	553	16	-	-
10	Stanley,	N.D.	-	-	556	54½
11	Arcola,	Sask.	672	18	-	-
12	Bainsville,	Mont.	-	-	661	63½
13	Kamsack,	Sask.	712	19	-	-
14	Chelsea,	Mont.	-	-	715	67½
15	Regina,	Sask.	776	20	-	-
16	Whately,	Mont.	-	-	772	72½
17	Moose Jaw,	Sask.	818	20	-	-
18	Saco,	Mont.	-	-	818	73½
19	Saskatoon,	Sask.	900	22	-	-
20	Billings,	Mont.	-	-	883	86½
21	Rush Lake,	Sask.	908	22	-	-
22	Chinook,	Mont.	-	-	910	85
23	Prince Albert,	Sask.	937	23	-	-
24	Havre,	Mont.	-	-	932	86½
25	Medicine Hat,	Alta.	1075	24	-	-
26	Riverdale,	Mont.	-	-	1076	86½
27	Edmonton,	Alta.	1227	26	-	-
28	Fortine,	Mont.	-	-	1229	104½
29	Calgary,	Alta.	1242	26	-	-
30	Eureka,	Mont.	-	-	1240	104½

Table 5.



To: Vancouver, B.C. for Export To: Seattle, Wash

FROM		Miles	Rate	Miles	Rate
Calgary,	Alta.	642	20	-	-
Kalispell,	Mont.	-	-	627	72½
Edmonton,	Alta.	765	20	-	-
Shelby,	Mont.	-	-	756	81
Eckville,	Alta.	769	22	-	-
Helena,	Mont.	-	-	771	81
Medicine Hat,	Alta.	818	23	-	-
Joplin,	Mont.	-	-	810	81
Admiral,	Sask.	1016	25	-	-
Glasgow,	Mont.	-	-	1014	92½
Moose Jaw,	Sask.	1067	25	-	-
Big Horn,	Mont.	-	-	1065	92½
Saskatoon,	Sask.	1088	24	-	-
Poplar,	Mont.	-	-	1085	94
Regina,	Sask.	1108	26	-	-
Culbertson,	Mont.	-	-	1118	94

Table 6

TARIFF AUTHORITIES:

To Fort William, Ont. - C.N.Rys. Tariff No. W.183-B, C.T.C.
No. W-2305
To Vancouver, B. C., C. N. Rys. Tariff No. W135-G, C.T.C.
No. W-1023
To Duluth, Minn., from Carrington, N. D., N.P.Ry. Tariff
No. 685-U, L.C.C. No. 9774
To Duluth, Minn., from Stanley and York, N.D., G.N. Ry.
Tariff No. 1250-M, No. A-8352
To Seattle, Wash., North Pacific Coast Freight Bureau
Tariff No.13-E, I.C.C. No. 888



CROSS-EXAMINATION BY MR. COOPER:

Q. Mr. Halliday, I understand that the Canadian Lumbermen's Association represents lumber manufacturers, wholesalers, retailers in Quebec and Ontario east of the head of the lakes?

A. Yes, sir.

Q. How many members has the Association?

A. Roughly about 400 - I would say between 400 and 500.

Q. What percentage of the lumber shipped in Quebec and Ontario east of the head of the lakes is shipped by members of the Association?

A. I would say about 50 per cent of it.

Q.. Your brief, Mr. Halliday, is dated January 9, 1959, and I take it that since that is a date before this Commission was established that the brief was originally prepared for submission to some other body?

A. It was for the government but we thought when we were asked to appear before this Commission that there had not been any material changes and the figures are about in line so we did not change it.

Q. May I also ask, Mr. Halliday, what is your position with the Canadian Lumbermen's Association?

A. I am employed with them as a consultant on their freight matters. I retired a short time ago and at the time of retirement I was vice-president of the R. Laidlaw Lumber Company at Weston.

Q. On page 1 of the brief these words appear in the third paragraph:



1
2 "The Canadian Lumbermen's Association believes that
3 the Board of Transport Commissioners are not now in
4 a position to grant rates which are just and reason-
5 able for the lumber industry because of inequities
6 in the rate structure which are beyond the Board's
7 power. We refer specifically to the statutory
8 (Crow's Nest Pass) rates on grain in western Canada."

9 Am I to understand from that, Mr. Halliday,
10 that the Lumbermen's Association regard the Crow's Nest
11 Pass rate as the only inequity in the rate structure or
12 are there others?

13 A. I would say they are the main one.

14 Q. What are the others or some of them?

15 A. Well, I just don't know exactly what the
16 others are but we figure that the Crow's Nest Pass with
17 their low return to the railways are the ones that would
18 affect our rates more than any others.

19 Q. Do I understand then that you are not con-
20 cerned or the Association is not concerned in this brief
21 with any other inequities there may be in the freight
22 rate structure?

23 A. No, we think this is the chief one.

24 Q. I turn to the second page of your brief,
25 Mr. Halliday, and in the paragraph in the middle of the
26 page you state:

27 "The Canadian Lumbermen's Association are greatly
28 concerned with the continually narrowing base on which
29 freight rate increases are applied, because lumber,
30 which moves largely at mileage rates in the east
takes the full increase each time."



1
2 A. That is right.

3 Q. And also at the bottom of page 3, the last
4 line it is said:

5 "Since a large proportion of lumber in eastern Canada
6 moves on mileage rates, or rates closely related
7 thereto, which takes a full increase every time, we
8 feel that the lumber rates are being called upon
9 more and more to subsidize the statutory grain rates."

10 And again on page 5, in the summary of remarks
11 of the Association, it is stated at No. 5:

12 "A large proportion of lumber moves at mileage
13 rates, which bear the full increase each time."

14 A. Yes.

15 Q. As I understand the situation now,
16 Mr. Halliday, lumber in Ontario and Quebec in the east,
17 head of the lakes and from all maritime provinces and
18 indeed in the maritime provinces as well moves largely
19 at competitive rates, is that right?

20 A. I would say the railway companies since
21 this brief was submitted have been putting in special rates
22 to take care of the truck competition situation but there
23 a lot of places that are unable to take advantage of these
24 rates. Do not forget that the railway rate on the C.P.R.,
25 they apply mostly on their own line. Furthermore, they
26 carry a heavy minimum of 60,000 pounds and as a great
27 number of the mills on the north shore and throughout that
28 district are white pine mills, they are unable to take
29 advantage of these low rates on account of the fact they
30 cannot get the weight in the cars especially if the cars
have to be milled in transit. If you take it at Moose



1
2 Lake at 60,000 pounds and take it to Mattawa and dress
3 it and ship it, it will go out at 40,000 pounds, but you
4 will pay for 60,000 pounds all the way through so you
5 might as well go back to your original rate. As far as
6 that is concerned, the railway people are pretty practical
7 people and farseeing people. As far as that goes, I
8 appear before them tomorrow in Toronto to outline these
9 points to them and we expect we will get some relief,
10 at least we hope so. But in the meantime, they are
11 paying their full increase on their lumber rates.
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(Page 9350 follows)



1
2 Q. I refer to the Decision of the Board of
3 Transport Commissioners for Canada in the matter of the
4 General Freight Rates Investigation directed by Order
5 in Council P.C. 1487, dated April 7th, 1948, (Equaliza-
6 tion Case) and of Section 336 of the Railway Act,
7 (National Freight Rates Policy) re commodity freight
8 rates on lumber and forest products. This Decision
9 is dated September 15th, 1959, and I have the pamphlet
10 copy in front of me, and the Decision is also printed
11 in J.O.R. & R. Volume XLIX, October 15, 1959, as
12 No. 14.

13 In the conclusion and findings I see that, in
14 summary, the freight rate structures now applicable
15 on lumber traffic in Canada west of the maritime terri-
16 tory are -- and we come to (c), competitive commodity
17 rates within Eastern Canada established to meet motor
18 truck transportation.

19 That is what I had in mind when I put the
20 question to you, but I understand from you that there
21 are many instances where the competitive commodity rates
22 do not apply?

23 A. That is right, sir

24 Q. I read further, from page 33 of the
25 pamphlet copy of the Judgment to which I have referred:

26 "The resulting rates within Eastern Canada
27 would be of no material value inasmuch as the
28 major portion of this traffic now moves at much
29 lower motor truck competitive rates . . ."

30 The words "major portion" are there used, and I was



1 wondering if you could assist the Commission by indicating
2 any percentages or movements which do not move under
3 competitive commodity rates?

4 A. That would be very hard to say in view of
5 the fact that we have no control over numerous mills --
6 small mills throughout the country, that are moving
7 their stock and do not belong to our Association.

8 Q. Well, within your own Association?

9 A. How much? I would say in the east, with
10 the truck competitive position from the north, that you
11 might be getting about 40 per cent of it moving by
12 truck.

13 Q. Forty per cent moving by truck, and the
14 remaining 60 per cent moving under what rates -- com-
15 petitive commodity rates?

16 A. Competitive commodity rates. If you
17 wish to make an agreement with the railway company on
18 agreed charges, you approach them and tell them what
19 your output is and what you think you should have in
20 order to meet this competition, and they make an agreed
21 charge and they agree on a certain percentage of your
22 traffic that must move by rail.

23 Q. Have members of your Association many
24 agreed charges now?

25 A. Yes, sir, they have quite a number and it
26 will be increasing until the rate situation is cleared
27 up.

28 Q. You have already mentioned truck competi-
29 tion, and I want to refer just briefly -- and I trust I
30



1 am not repeating anything here -- to page 3:

2 "There is the ever-present competitive form
3 of transportation which finds it easier and
4 easier with each successive general increase
5 in rail rates to compete for the traffic in
6 the narrowing base group."
7

8 I take it that it goes without question that truck com-
9 petition, then, has increased materially in recent
10 years?

11 A. Yes, sir.

12 Q. And is still increasing?

13 A. I would say so. Every time you increase
14 your rates, and we feel they are too high, we have to
15 take steps to provide some form of transportation that
16 will give us what we think is a fair rate, and the truck
17 people are stepping in and they are performing a service,
18 and in Ontario one of the things that makes trucking
19 attractive to a lot of our customers is simply the fact
20 that they are not located on a siding, and the truck will
21 bring the stock right into their yards and put it down.
22 In the last ten years, say, the City of Toronto has
23 grown tremendously -- in fact, we moved out of the
24 City of Toronto into Weston because we could not get
25 around the city, but we can get out onto highway No. 401
26 and go across the city in about fifteen minutes. Before,
27 it would take half a day to get across Toronto by the
28 downtown streets. They would sooner come in to, say,
29 Weston with their stock than into the interior of the
30 city. If we bring our lumber in from a non-competitive



1 point, say on the Canadian National Railways, and we
2 want it over to one of these firms on the Canadian
3 Pacific outside the four-mile limit, well, it is
4 practically impossible because your rate would be from
5 four to thirteen cents to handle it.
6

7 Q. There are many advantages, then . . .

8 A. There are many advantages.

9 Q. . . . or, at least, some advantages to
10 using trucks other than purely a matter of rate?

11 A. Yes. Times have changed a great deal
12 because in days past it was almost a must to have your
13 own siding, or, if you were unable to have a siding, to
14 be situated close to team tracks and the railway com-
15 panies. Today that is not so.

16 Q. Mr. Halliday, I have had some difficulty
17 in following your tables 3 and 4. I wonder if you
18 would turn those up and explain to the Commission fully
19 what those two tables show?

20 A. Well, this table 1 is supposed to be a
21 waybill analysis for 1957.

22 Q. That is table No. 1?

23 A. Yes.

24 Q. I think we understand that.

25 A. Table No. 2 is the BTC Adjustment, and it
26 is a sample of a waybill analysis. This table was not
27 got up by our Association. It was got up by the railway
28 people, I imagine.

29 Q. I think we have already had those figures,
30 and we have also had the figures for 1958.



1
2 Table Nos. 3 and 4 are those in which I am
3 particularly interested.

4 A. Well, that just shows your approximate
5 movement of lumber and forest products.

6 Q. Your first part of that table -- "Revenue
7 freight loaded and originated in Canada 1953-1958". I
8 take it that just shows the number of tons of lumber
9 and forest products loaded and originating in Canada
10 in those years?

11 A. That is right.

12 Q. Now, the second part is merely production
13 figures?

14 A. You are on table 3?

15 Q. Yes.

16 A. That is the Dominion Bureau of Statistics.

17 Q. I am interested in seeing -- and referring
18 again to the Judgment to which I referred earlier --
19 that what appears to be a corresponding figure, also
20 a Dominion Bureau of Statistics figure, for production
21 of lumber in 1957, is 7,099,758 thousand feet board
22 measure, as against the figure in this table of 7,700,204
23 thousand feet board measure. I wonder if there is any
24 explanation for that difference, because it appears to
25 me that the source is the same?

26 A. Well, I can't say there is, because the
27 figures are not ours. If they were both issued by the
28 Dominion Bureau of Statistics, maybe they could explain
29 it. I can't.

30 Q. Well, perhaps that is something we will



1 have to look into. The Judgment says, "There follows
2 a table extracted from the report of the lumber industry
3 issued by the Dominion Bureau of Statistics showing the
4 lumber sawn by provinces for the year 1957." That is
5 what the Judgment says.
6

7 A. Maybe what has happened here is that
8 this is just an estimate, and maybe you have the figures
9 that are more accurate that were taken out later.

10 Q. The figure for 1957 in your table is
11 just an estimate?

12 A. I am not saying it is, but I imagine that
13 is the reason for the difference.

14 Q. Well, perhaps I can check that. Table 4
15 is a chart showing tons of lumber and forest products
16 (except pulpwood) which originated or were loaded in
17 Canada, and production of sawn lumber in Canada (thousands
18 feet board measure) for the years 1953 and 1958. Is
19 this graph directly related to table 3 and, if so, would
20 you indicate the relationship?

21 A. Well, I would say it shows in 1955 and
22 1956, as you know, we reached our peak, and it has
23 dropped down to the 1958 level.

24 Q. You are referring to the top line?

25 A. Yes.

26 Q. And that shows a drop in what?

27 A. A drop in production.

28 Q. Is that related to production figures on
29 table 3, because there doesn't appear to be a drop there
30 between the years 1956 and 1957, for example? That is



1 the difficulty I am having in following this graph.

2 A. Well, that graph is also a DBS graph.

3 Q. So, the source of this graph is DBS again?

4 A. That is it.

5 Q. And any checking on this graph can be
6 done by the Commission through the Dominion Bureau of
7 Statistics?

8 A. That is it -- I assume so.

9 Q. Would you turn back now to page 4 of your
10 submission, and you state in the first complete paragraph
11 on that page:

12 "We feel that the time has come when this
13 situation must be changed. We strongly urge
14 the Canadian Government to look into the Crow's
15 Nest Pass rates very carefully with a view to
16 having them increased to a level which bears
17 some relation to present day costs of trans-
18 portation."
19

20 Assuming for the moment that the level of the Crow's Nest
21 Pass rates is such that it does not cover the costs of
22 the railways, are you suggesting that they should be
23 increased to a level which covers variable costs of the
24 railways only, or variable costs plus some contribution
25 to constant costs, or increased to a level which will
26 cover the railways' fully distributed costs for that
27 movement?

28 A. I would say that the railways should have
29 a fair return on their capital on the same basis as
30 other industries have. They should not be asked to



1 carry the burden of the Crow's Nest Pass rates. We
2 think that should be changed, and that that should be
3 rescinded and put into the hands of the Board of
4 Transport Commissioners, and they, with the railways,
5 should determine what is a fair and reasonable rate
6 on that movement.
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2 Q. Your position is this, that the legisla-
3 tion presently in effect in the Railway Act governing
4 rates for movement of grain and grain products to
5 export positions in western Canada should be repealed?

6 A. That is it exactly.

7 Q. The matter of rates for grain and grain
8 products movements to export positions in western
9 Canada would then fall within the jurisdiction of the
10 Board of Transport Commissioners who should fix a just
11 and reasonable rate?

12 A. Yes, sir.

13 Q. Also on page 4 you deal with the question
14 of subsidies and state?

15 "The Canadian Lumbermen's Association strongly
16 disagree with this method of dealing with the
17 problem. Such schemes are not the answer.
18 No good purpose can be served by creating an
19 artificial situation by applying subsidies.
20 Each and every segment of the economy should
21 bear its full share of transporting its goods."

22 I understand from that, Mr. Halliday, that the Canadian
23 Lumbermen's Association is opposed to any form of subsidy
24 whatever in the transportation field, that is in the
25 railway transportation field; is that right?

26 A. Yes, as a general principle we are against
27 giving subsidies. We think that subsidizing any industry
28 or party is taking away the incentive to have them cure
29 their own trouble. It is just the same as in our
30 business in the last few years with the research that has



1 gone into our business to take care of our waste, etc.,
2 in order to cut down our costs. If we hadn't done
3 that I guess most of us would have gone broke. But we
4 have had to do that. We are of the opinion that by
5 putting a crutch onto somebody and helping them along --
6 he is not going to make the effort that he should.

7 However, this may be a question where the Commission
8 may be of the opinion that it is a national issue and
9 that some help should be given to these farmers in the
10 west, and if that is their opinion we would be inclined
11 to go along with it. But, on the other hand, we think
12 that it should be subsidized by the government, the
13 federal government, not by the railway companies.

14
15 Q. I take it you are not suggesting that
16 subsidies presently in effect, such as the bridge sub-
17 sidy, should be repealed?

18 A. Well, those are things that are in and
19 they are evils, I guess, that we have to live with for
20 a while. Maybe in the passage of time they will get
21 straightened around.

22 Q. At any rate, if subsidy it must be, then
23 subsidy it must be in spite of the fact that it is an
24 evil principle in so far as the Crow's Nest Pass rates
25 are concerned. Is that your position?

26 A. That is our position.

27 Q. This matter is not dealt with specifically
28 in your submission, Mr. Halliday, but I wonder if you
29 could give the Commission some assistance on this point.
30 One of the terms of reference to the Commission is



1 concerned with other income of the railways, that is
2 income arising from other than the strictly rail opera-
3 tion, and one of the questions put to the Commission in
4 this respect is whether and to what extent the Railway
5 Act should specify what assets and earnings of railway
6 companies in businesses and investments other than
7 railways should be taken into account in establishing
8 freight rates. Have you any views on that question,
9 Mr. Halliday, which would assist the Commission?
10

11 A. My views would be simply this -- I take
12 it that you are referring to companies that the Canadian
13 Pacific are interested in, like Smelters, and what not?

14 Q. Like Consolidated Smelters?

15 A. Yes; and they do not go into the railway
16 earnings; is that correct?

17 Q. That is correct.

18 A. Well, I would say that is the way to
19 handle them. For instance, if the Smelters take a
20 loss, would the railways increase their freight rates
21 in order to keep their earnings up, or if they made a
22 profit would they reduce them?

23 Q. Without getting into an answer to that
24 question, my inquiry was simply directed to the principle
25 as to whether or not earnings from other than rail
26 assets should be taken into account in fixing freight
27 rates?

28 A. No, I would say not. I should think they
29 should be kept separate the way they are today.

30 Q. You mentioned Smelters. There are



1 enterprises in the railways which are perhaps more closely
2 connected with transportation than Smelters; I am thinking
3 of truck lines, and so on. Would your view be the same
4 with respect to other business of the railways which,
5 although not strictly rail businesses, are, nevertheless,
6 connected with the transportation field? Truck lines,
7 airways, are perhaps two examples. Should the incomes
8 from those assets be taken into account in fixing railway
9 freight rates?
10

11 A. I am not in a position to answer that
12 question intelligently. But my idea as far as the
13 railways are concerned is that they should be a trans-
14 portation company, they should be allowed to handle their
15 business by truck or by rail and by any other means of
16 transportation, and one should coordinate with the other.

17 Q. If they do handle a portion of their
18 transportation business by truck, should the income
19 arising from that part of their business -- take
20 Canadian Pacific and Smith Transport -- should the income
21 arising from, say, Smith Transport be taken into account
22 in fixing railway freight rates?

23 A. Well, I am not in a position to answer that.
24 I have never given it any thought.

25 Q. I don't want to press you on the point.
26 I just thought that the Commission might like to have
27 the benefit of your views on that point.

28 A. I wouldn't like to make a snap judgment
29 as to what they should do, because I may be wrong.

30 Q. On page 5 of your submission, Mr. Halliday,



1
2 No. 9 of your summary reads:

3 "Some modern long-range plans should be
4 formulated, in the light of presentday condi-
5 tions."

6 Now, can you assist the Commission in any way in sug-
7 gesting the direction in which such modern long-range
8 plans should go or suggest any criteria in the formula-
9 tion of such long-range plans?

10 A. Well, at the present time there is con-
11 siderable confusion in the rate setup. You can get a
12 rate between the same points in the railway company for
13 30,000 pounds, you may get one for 40,000 pounds, and
14 you may get one for 60,000 pounds, and even with the help
15 in the railway companies today, the average man, who
16 doesn't know anything about freight rates, often gets
17 the wrong answer, and you can't blame these lads because
18 you cannot train them fast enough, and the situation is
19 such that it is a real job to keep track of what should
20 be a very simple matter. In the old days -- you take
21 the lumber tariff today: I think it was 810 -- it was
22 906. When you go through that you get about six or
23 seven increases. It takes you about ten minutes to
24 figure it out, and when you figure it out you wonder if
25 you are right.

26 Q. What you are saying is that the present
27 rate structure is too complex?

28 A. That is it, and it should be straightened
29 out.

30 Q. Have you any suggestions that you can offer



1 to the Commission as to how that complexity could be
2 simplified or resolved?

3 A. Well, I would imagine that if the railway
4 company get compensated for their movement of grain they
5 would be able to put the lumber rates practically where
6 the truck rates are today, and this would eliminate an
7 awful lot of these agreed charges and competitive
8 tariffs, and what not. For instance, most of your
9 agreed charges just eliminate the 10 per cent, and if
10 they put them back to the old basis you would simply
11 have your old tariff over again.

12 Q. Do you anticipate that if the railways
13 obtain increased revenues as a result of the rise in
14 moving grain in western Canada to export positions or
15 as a result of receiving a subsidy in respect of that
16 movement, the benefit of that subsidy or increased
17 revenue would be spread among other shippers?

18 A. Yes, sir.

19 Q. That would not give the railways, then,
20 any increased revenue?

21 A. We wouldn't get the full impact; we would
22 get some.

23 Q. It would be a matter of sharing the wealth?

24 A. In a way, yes.

25 Q. To get back again to your statement about
26 some modern long-range plans, you have referred the
27 matter specifically to lumber. What I was trying to
28 elicit for the benefit of the Commission, Mr. Halliday --
29 and perhaps you haven't given the matter consideration --
30



1 is whether you can give an overall suggestion as to how
2 the freight rate structure can be simplified or other-
3 wise; in other words, what improvement can be made in
4 the freight rate structure?

5 A. That is the only improvement I can think
6 of at the present time in the freight rate structure.
7 But there are other improvements where the lumber
8 industry are asking for special equipment, as well as
9 other people, so that they can use a lift truck in the
10 handling of their products. We feel that the railways
11 are doing the best they can, but I don't think they have
12 the money to put all this equipment into effect.
13

14 MR. COOPER: Thank you, Mr. Halliday.

15 THE CHAIRMAN: Mr. Hume?

16 CROSS-EXAMINATION BY MR. HUME:

17 Q. Mr. Halliday, just one question, sir. My
18 name is F. R. Hume, and I represent the Canadian Trucking
19 Associations.

20 The only matter I wanted to discuss with you
21 is your discussion with respect to the increase of truck
22 transportation in the Province of Ontario to which you
23 refer. It will be, I think, of some assistance to
24 this Commission if you could tell me whether or not you
25 could indicate what percentage of movement of lumber is
26 now moved by truck in Ontario?

27 A. In Ontario?

28 Q. Yes.

29 A. This would only be a guess. I would say

30 40 per cent.



1 Q. Could you indicate again the maximum
2 length of haul that this lumber is moving that you
3 have described?
4

5 A. The maximum length of haul would be about
6 350 to 400 miles, I would say.

7 Q. And the average haul would be of the same ---

8 A. I can only speak for our stuff which moves
9 -- say you take the Abitibi region: what would be the
10 mileage there? 400 miles. Then there is, as you know,
11 a great deal of lumber moving off the Ontario northlands,
12 a terrific amount of lumber moving off that territory.

13 Q. Into Ontario?

14 A. Yes.

15 Q. You described to Mr. Cooper some advan-
16 tages that some of your members found in using trucks,
17 either their own or commercial trucks, because of
18 location and convenience, and so on, and you also say
19 that eventually the railways introduced agreed charges
20 to cover this freight. May I ask you, because of the
21 convenience that you mentioned, does the agreed charge
22 rate have to be particularly attractive to induce the
23 shipper to go back to the rail?

24 A. In some cases the agreed charge would be
25 satisfactory where the consumer had his own sidings,
26 and the agreed charge would be attractive there. The
27 agreed charge would not be so attractive if the lumber
28 was taken from a point that had no rail facilities.

29 MR. HUME: Thank you very much, sir.
30



1
2 CROSS-EXAMINATION BY MR. ALLEY:

3 Q. I have just one or two questions. Where
4 are your members principally from?

5 THE CHAIRMAN: Mr. Alley is from British
6 Columbia.

7 THE WITNESS: Mostly Quebec and Ontario, with
8 a few in the west. Pardon me -- are you from the
9 B. C. Manufacturers?

10 MR. ALLEY: No, I represent the Province
11 of British Columbia.-- very similar.

12 COMMISSIONER GOBEIL: You do not have it in
13 the maritimes?

14 THE WITNESS: Yes, we have a few members in the
15 maritimes, east of the head of the lakes.

16 COMMISSIONER GOBEIL: Wouldn't you say that
17 in the maritimes your members represent, say, 50 per
18 cent of the volume of lumber which comes from there?

19 THE WITNESS: I do not understand your
20 question.

21 COMMISSIONER GOBEIL: You may have only 15
22 members in the maritimes, but those 15 members, would
23 you not say, represented 50 per cent of the production
24 in the maritimes?

25 THE WITNESS: Are you asking, sir, whether
26 the production in the maritimes represents 50 per cent
27 of the cut?

28 COMMISSIONER GOBEIL: No. The members of
29 your Association who operate in the maritimes, even if
30 they are small in number -- would those members not



1 represent 50 per cent of the actual cut?

2 THE WITNESS: Yes, they would. They have
3 their maritim~~e~~s association and their freight rate Act.
4 While the bulk are members of our Association, they
5 operate pretty well in their own fields.
6

7 COMMISSIONER MANN: Is the Maritime Lumber
8 Bureau a member of your organization?

9 THE WITNESS: I would say no, it is not.

10 COMMISSIONER MANN: Not an affiliated member?

11 THE WITNESS: No. Your friend Mr. McKay
12 represents the maritimes on our Board.

13 COMMISSIONER MANN: But the Bureau as such is
14 not a member of the CLA?

15 THE WITNESS: No. We wish it was, and maybe
16 you can do something about it.

17 COMMISSIONER MANN: I am pretty busy right
18 now.

19 MR. ALLEY: Q. Can you tell me approximately
20 what the weight of the lumber is in the average truckload?

21 A. It all depends on the capacity of the
22 truck. They will take from 10,000 feet to, say, 20,000
23 or 25,000.

24 Q. What would that weigh, approximately?

25 A. Well, it would weigh about 2,000 pounds.
26 It all depends on the kind of lumber. White pine will
27 weigh 2,000.

28 Q. Two thousand pounds?

29 A. If it is hardwood it will weigh 3,000;
30 if it is jackpine it will weigh about 2,800.



1 Q. Per what?

2 A. Per thousand.

3 Q. Do highway restrictions affect the use of
4 the trucks at any time during the season?

5 A. Well, they have periods where they can
6 only operate half loads in the spring.

7 Q. But that is the only highway restriction?

8 A. The only restriction that I know of. You
9 cannot overload, of course. They keep weighing you up.

10 MR. ALLEY: Thank you.

11
12 CROSS-EXAMINATION BY MR. DOHERTY:

13 Q. My name is Doherty, and I am appearing
14 here on behalf of the Province of Saskatchewan.

15 A. Yes, sir.

16 Q. On page 2 of your submission, Mr. Halliday,
17 you make reference to the fact that "these rates are
18 now too low". You are speaking of the Crow's Nest
19 rates?

20 A. Yes.

21 Q. Your submission was prepared back on
22 January 9th, 1959, as I understand it?

23 A. Yes.

24 Q. And you have not made any separate in-
25 dependent study of these rates to determine factually
26 that they were too low?

27 A. You mean, the Crow's Nest rates?

28 Q. The Crow's Nest rates?

29 A. You mean ---

30 Q. I was just wondering ---



1
2 A. Are you questioning the authenticity of
3 these rates in the table?

4 Q. No, sir. I am just asking on what did
5 you base your conclusion that these were too low?

6 A. Would you say that if the lumber people
7 pay an average of 1.61, and the statutory grain com-
8 modity was .49, that we would not think it was low?

9 Q. I think you might have that suspicion.
10 But if it turned out that the grain rates were in fact
11 compensatory, then all you have is a relationship between
12 the figures. In other words, one is larger than the
13 other, but in itself, I suggest, it does not prove that
14 one is too high or one is too low?

15 A. I take it, then, you have proved that
16 .49 cents is reasonable; is that right?

17 Q. I am sorry, I did not understand.

18 A. I take it that you have proved that .49
19 cents is a reasonable charge for the service.

20 Q. No, sir, I was not suggesting it. I
21 was just asking whether you had any figures which
22 establish that it was too low.

23 A. I have only the figures given by the
24 Waybill Analysis and the DBS.

25 Q. Would it be correct to say that you have
26 merely a suspicion that these rates may be too low?
27 Is that correct?

28 A. No, I would not say it is a suspicion.
29 I would say it is a fact.

30 Q. Based on what?



1
2 A. On their records. You mean, where do
3 they arrive at it? Is it wrong?

4 Q. I suggest to you that you have to know
5 the actual cost of moving each of these items before
6 you can determine whether or not they were in fact too
7 low. I would suggest that you require an extensive
8 cost study to determine that it is a fact.

9 A. We are not in a position to make a cost
10 study of the railway rates. I think that is a problem
11 they can attend to very well.

12 Q. On page 4, you speak of subsidizing the
13 statutory grain rates. May I ask is it your opinion
14 that you would be subsidizing the statutory grain rates,
15 if this is a fact, because in your opinion the statutory
16 grain rates do not return their whole cost to the rail-
17 ways?

18 A. I just don't understand your question.

19 Q. May I rephrase it, sir. You suggest
20 that you are subsidizing the statutory grain rates, and
21 you suggest the Crow's Nest rates are too low. I
22 conclude from that that it is your opinion the Crow's Nest
23 rates do not make a full return to the railways, that
24 is, their complete costs?

25 A. I would say so.

26 Q. Would it also be true, then, that if there
27 were any other rates that did not return full costs to
28 the railways that you would also be subsidizing those
29 rates?

30 A. What you are saying is that if there were



1
2 any other rates that need subsidizing we would be
3 in favour of it; is that it?

4 Q. No. I am suggesting that, if you consider
5 you are subsidizing a rate that does not return its
6 full costs, this would include all rates that do not
7 include their full costs?

8 A. The question is, would we be in favour of
9 subsidizing those rates? The answer would be No.

10 Q. That is not quite what I had in mind, sir,
11 although I planned to ask you that later. I am just
12 asking you whether, if you consider you are subsidizing
13 the statutory rates at this time, because, as you said,
14 they are too low, that if there were other rates, say,
15 an agreed charge or a competitive rate, or anything of
16 that nature, which returns something less than full costs
17 to the railways, that you would then also be subsidizing
18 that particular rate?

19 A. The question is: would we be in favour of
20 it?

21 Q. No, are you doing it now?

22 THE CHAIRMAN: In your higher rates?

23 MR. DOHERTY: Q. In paying your higher rates?

24 A. We figure, to a certain extent, yes.

25 Q. I believe that in your reply to Mr.
26 Cooper you have indicated that you do not favour the
27 principle of subsidy, and you have now said you would
28 not favour subsidizing other rates, and I believe that in
29 reply to Mr. Cooper on the matter of the bridge subsidy,
30 I think I can interpret your answer correctly to say that



1 while you may not favour the subsidy you recognized
2 that it was there, and you had no objection to its being
3 there?
4

5 A. That is right.

6 Q. May I ask what is your opinion on any
7 subsidization which would have the effect of lowering the
8 rates, such as the current \$20 million subsidy which pro-
9 vided a roll-back in rates?

10 A. Well, of course, that was more or less a
11 political question, wasn't it?

12 Q. That is not for me to say, sir. I was
13 just asking you whether you favoured that policy?

14 A. We do not favour subsidies at all, as far
15 as we are concerned.

16 Q. I think you made the exception.

17 A. What would happen in this case -- they
18 put out their 17 per cent and we figure we cannot afford
19 to pay it and we just take means to get other forms of
20 transportation to handle it. That is the answer to that.

21 Q. If I interpreted your answer correctly,
22 I think you said there might be an exception to this
23 principle. That would be a subsidy in the national
24 interest?

25 A. On the Crow's Nest, I think, if the Board
26 determined that that is the way they should get a subsidy
27 we would be inclined to go along with that, but on the
28 other hand we feel that the railway company should not be
29 asked to take care of it.

30 Q. On page 5, Mr. Halliday, you are referring



1 to the rates on grain in the United States, and, as I
2 read it, particularly to the rates moving grain to
3 Duluth, Minnesota, from points in North Dakota. Do
4 you see the part I have reference to, at the top of
5 page 5?

6 A. Yes, sir.

7 Q. You say that these rates are three and
8 a half to four times the rates from the Canadian west?

9 A. Yes.

10 Q. And this is shown in table 5?

11 A. Yes.

12 Q. My only question on the table is this.
13 In the second line, in showing the rates from Rosser,
14 Manitoba, you show a rate of 15 cents?

15 A. Yes.

16 Q. In showing the rate from Carrington
17 you show 42½ cents?

18 A. Yes.

19 Q. That does not seem to me to fulfill your
20 requirements?

21 A. Let us go down to the bottom ones --
22 Calgary, 26 cents, and Eureka, \$1.04½.

23 Q. I am taking you further than I wanted to
24 go. I was merely going to ask you if the rate you are
25 quoting in the second column is perhaps incorrectly
26 stated, or is it an exception to the principle?

27 A. You mean ---

28 Q. It is not three and a half times.

29 A. No, that one is just about two and a half
30



1 times.

2
3 Q. Is that an error in the table?

4 A. That may be an error, because you have
5 picked out the low one, but you will see along the line
6 that there is a terrific difference in the rates.

7 Q. I was just interested in that one.

8 A. That is evidently an error.

9 THE CHAIRMAN: I think that the rates for
10 Calgary and Regina are misplaced in that table. The
11 Regina rate is 20, and I think the Calgary rate is 20.
12 Is that not right, Mr. Sinclair? The Regina rate is 20.

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1
2 MR. SINCLAIR: Yes, those are both eastbound
3 rates.

4 MR. DOHERTY: Q. Mr. Halliday, I am advised
5 that in the United States there are presently some appli-
6 cations before the Interstate Commerce Commission to
7 reduce rates on grain movements to Duluth. I under-
8 stand that this is to permit the railways to meet cer-
9 tain truck competition. The information I have is that
10 the reduction is up to 12½ cents on each 100 pounds of
11 such grain, and this will go into effect on April 8th.
12 Were you aware of this application?

13 A. No, I was not.

14 MR. DOHERTY: Thank you very much, Mr. Halliday.

15 THE CHAIRMAN: We will take a five-minute
16 recess now.

17 ---Short recess.

18
19 THE CHAIRMAN: Order, please. Mr. McDonald?

20 MR. McDONALD: Mr. Chairman, I have no ques-
21 tions. I just want to compliment Mr. Halliday and
22 his Association for their excellent brief.

23 THE CHAIRMAN: Mr. Sinclair?

24 MR. SINCLAIR: I am just interested in two
25 matters that were raised, and I think Mr. Cooper's
26 cross-examination has covered all the points for the
27 Commission with the exception of the two matters that
28 I would raise.

29 CROSS-EXAMINATION BY MR. SINCLAIR:

30 Q. One point rose out of this question of



1 truck transportation of lumber, Mr. Halliday. You
2 said they would move lumber by truck up to 300 to 400
3 miles, the maximum I think you said was 400 in Ontario
4 and Quebec, with loads of 40,000 and 50,000 pounds.
5 Could you tell the Commission what the rate per ton
6 mile the truckers were getting on this lumber movement?
7

8 A. No, I could not. I have not figured
9 that out, but it could be easily figured out because
10 the truck competitive rates that you have put in are
11 the same rates as the truckers are charging.

12 Q. Are there established rates for the
13 movement of lumber, for instance, from points on the
14 Ontario Northland or the Canadian National or Canadian
15 Pacific? Does the shipper know in advance what the
16 truck rate is going to be?

17 A. Oh, yes.

18 Q. He does not make a deal on each shipment?

19 A. Well, no, as a rule he knows pretty well
20 what the trucking rates are going to be.

21 Q. How does he know that?

22 A. Because they generally tell him.

23 Q. Who is "they"?

24 A. The truckers. To a certain extent they
25 will give you rates for movements between certain
26 points.

27 Q. And the rates vary from time to time?

28 A. Yes, they do.

29 Q. Between different shippers?

30 A. Between different shippers and also on



1 the density of the traffic. For instance, if they are
2 very busy why they adhere to their rate and if they are
3 not too busy and they have a lot of stuff going that
4 way and they are coming back empty, in many cases they
5 will give you a special rate.

6 Q. One other point is this: under the present
7 rate structure in Canada there is what is known as
8 value of service pricing or differential pricing or
9 cost subsidization or internal subsidization. All
10 these phrases are used to describe it. It might be
11 said to mean that rates reflect the cost of the service,
12 the value of the commodity and a number of other factors,
13 and this is known as a value of service pricing in the
14 rate structure. Now, as a big shipper of a commodity
15 would you tell the Commission whether you are in favour
16 of a rate structure that reflects cost and other things,
17 including the value of the product, or would you be in
18 favour of a rate structure that was tied strictly to
19 cost?
20

21 A. I think that we would be in favour of
22 the first one.

23 THE CHAIRMAN: What was the answer?

24 MR. SINCLAIR: He said, "I think we would be
25 in favour of the first one." My first point would be
26 that it was value of service pricing?

27 A. Yes.

28 Q. As it is now practised?

29 A. Yes.

30 MR. SINCLAIR: I think that is all, thank you,



1
2 BY COMMISSIONER BALCH:

3 Q. It is evident that the Lumbermen's
4 Association are against subsidization?

5 A. As a principle, yes.

6 Q. However, if the railways cannot make a
7 profit and must be subsidized in the national interest
8 would you suggest the rails should be run as a private
9 enterprise disregarding the national interest?

10 A. In other words, you think that the railway
11 company should be compensated for handling their stock
12 and if any subsidization should be done it should be
13 done by the federal government?

14 Q. The federal government?

15 A. Yes.

16 Q. You feel that way?

17 A. Yes, sir.

18 Q. Another question I have: is it your
19 belief that the lumber rate would go down if statutory
20 rates were increased?

21 A. I think so.

22 Q. How do you feel about this? How would
23 the railway revenue position be improved to, we will
24 say, to help the wage demand if the increase from the
25 statutory rates were to apply to other interests?

26 A. You mean to tell me if they have got an
27 increase in revenue that they would apply it to other
28 sources?

29 Q. They are seeking an increase in revenue
30 at the present time, I believe, to meet the wage demands.



1 A. The railways are now asking for an
2 increase in rates to meet the wage demands?
3

4 Q. That is right, and if the statutory rates
5 were increased and applied to other forms such as lumber,
6 they would be in very much the same position as they are
7 at the present time?

8 A. Quite true, but, on the other hand, if
9 you get your charges for handling our lumber to what
10 we think is out of line, that is your business, but we
11 will be forced to make other arrangements to handle our
12 business and you won't receive it. That is the answer
13 to that. In other words, you are pricing yourself out
14 of business.

15 COMMISSIONER BALCH: Thank you.

16 BY COMMISSIONER GOBEIL:

17 Q. Mr. Halliday, Mr. Doherty asked you on
18 what you based your assumption for saying that the grain
19 rates were too low, and in answer to that you referred
20 him to your table 1. There you find by looking at .49
21 cents that this was justification for your statement?

22 A. Yes.

23 Q. Because it was much below the average?

24 A. That is it.

25 Q. Would you think that anything below the
26 average would be too low?

27 A. Well, I am not in a position to determine
28 that. I would imagine that would be up to the Board of
29 Transport to determine what the proper rate should be.

30 Q. If there was a statutory rate on grain which



1 was very much lower the average would be in the two-cent
2 class according to the table here?
3

4 A. Yes.

5 Q. Not including statutory grain, all Canada
6 is two cents?
7

8 A. Yes.

9 Q. And if the grain is too low that probably
10 should be the average that should be got for comparison
11 purposes?
12

13 A. I think that is something the Board should
14 determine, not us.
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2 Q. You said on page 4 that the lumber provided
3 earnings in excess of the national average?

4 A. That is right.

5 Q. But it would be below the national average
6 quite a lot if we exclude the grains; it would be 1.6
7 compared to 2 cents. That is the only remark I have to
8 make.

9 A. If you wish, we could submit from the
10 Canadian Lumbermen's Association a list of their member-
11 ship with their location, if that would be of any assist-
12 ance to you.

13 THE CHAIRMAN: Well, we will take your word,
14 Mr. Halliday.

15 THE WITNESS: Thank you.

16 BY MR. ANSCOMB:

17 Q. Mr. Halliday, there is only one minor point:
18 Your Association is opposed to taking the revenue of other
19 assets of the railway into the freight structure?

20 A. Yes.

21 Q. Would you think there might be just some
22 little idea that perhaps it would be correct to take the
23 revenue from actual transportation that the railways might
24 do by truck in Canada into the structure, because it is
25 transportation -- nothing else?

26 A. Well, it is a question of bookkeeping, isn't
27 it? I imagine that the railway company -- that the rail
28 end of it would be kept separate from the truck end.

29 Q. Do you think it would be?

30 A. I imagine so. Maybe Mr. Sinclair could



1
2 answer that question.

3 Q. Let us assume that it is: All I am asking
4 is, do you think the revenue from any trucking business
5 they might operate -- and the expenses, of course, as
6 well - should be taken into the freight structure gener-
7 ally?

8 A. I was asked that question before this
9 morning, wasn't I? I would not like to pass an opinion
10 on that, because there are a lot of facts and I am not
11 aware of them, that might enter into whether they should
12 or should not, and for me to say what they should do,
13 would be valueless.

14 Q. What would you say on a through rate where
15 there is part rail and part truck?

16 A. Well, in that case they might be combined.

17 Q. I am not suggesting anything out of Canada
18 -- any shipping or steamships?

19 A. No.

20 Q. But, it is refreshing to hear you say that
21 you are not trying to tell anybody what to do.

22 A. We have quite a time minding our own business
23 -- that is quite a job.

24 BY MR. MANN:

25 Q. You are familiar with incentive rates, are
26 you not, whereby you get a lower rate for loading a higher
27 --

28 A. Yes.

29 Q. Supposing -- and let us be very hypothetical;
30 I know it cannot be done -- but supposing you could load



1
2 120,000 pounds of lumber into a boxcar, and supposing the
3 time of transit for that movement were completely unim-
4 portant, and supposing you had so much lumber that you
5 could move it in solid train loads, would you expect a
6 lower rate?

7 A. One of the things we have up with the rail-
8 ways today is what they are introducing in the United
9 States. You will notice that they are -- and you are
rather ambitious in the amount of the load --

10 Q. Oh, I told you it could not be done.

11 A. Well, say, 75,000 pounds: The United States
12 railways are giving a lower rate for 75,000 pounds than
13 they are for 50,000 pounds. Coming into this market from
14 the south, on hardwoods, you have 30,000, 40,000 and 60,000
15 pounds, and they are geared to a gradual reduction in rate
16 as the weight goes up, and we have asked that, back into
17 that territory, we receive the same consideration. We
18 are also asking for shipments out of Ontario and Quebec to
19 the Pacific west coast in the United States, especially
20 on hardwood, that we have the same rates as the competi-
tors in the United States.

21 Q. But your rates, no matter how heavy the
22 load -- and I know you can't load 120,000 pounds -- but
23 no matter how heavily you load, you could still not move
24 lumber in solid train loads? There would not be enough
market for that?

25 A. No, not now.

26 Q. And transit time is important to you,
27 isn't it?

28 A. You take your present trend - you take our
29
30



1
2 place in Weston: It is a consolidating yard now. Your
3 money is tight, and you are bringing that stuff through
4 from the west and from the south and from all over, and
5 you are piling it there, and the people around the country
6 are buying in 5,000 feet lots. They are keeping their
7 inventory down; they just haven't got the money.

8 Q. The reason I asked you the question about
9 the 120,000 pounds loaded in a car, and the time of move-
10 ment, and the solid train loads, is because I wanted to
11 refer to your discussion with Mr. Doherty. Grain has,
12 in a sense, some of those characteristics I pointed out,
13 and the mere comparison of an average rate with the grain
14 movement is perhaps not valid until you know what precisely
15 the costs are, and this is one of the tasks before this
16 Commission.

17 A. Yes.

18 Q. I would like to turn over to another
19 subject, Mr. Halliday. You were talking about the mini-
20 mum weights earlier on your movements in central Canada,
21 and you said you shipped mainly white pine?

22 A. If I said that -- "shipped mainly" -- that
23 would be a large part.

24 Q. Yes, but spruce and jackpine, which are
25 heavier than white pine, are also very important in your
26 movement?

27 A. Oh, yes.

28 Q. When you take rough lumber, say for
29 dressing, you can probably load -- can you not load any-
30 where, if it is green lumber, about 70,000?

A. No, that would be fairly high, and if it



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was pine, you would not dress green pine.

Q. You would not?

A. Not if you were wise -- unless it was a very low grade. You would with spruce or jackpine.

Q. Yes?

A. The market has been such for that that it is a question of, "There it is; take it or leave it", but conditions are getting to the point today where they tell you to leave it.

Q. I see.

A. And with your grade marking, which the government is insisting on -- which, in my opinion, should always have been on, so that the fellow knows what he is going to get and is not going to be cheated by somebody who wants to sell him a high grade and supplies a low grade and put the price in between.

Q. In your rate structure in Ontario and Quebec you not only have 60,000 pound rates; you have 40,000 pounds as well?

A. And we have 30.

Q. Now, some of the 40,000 pound minimum weights are truck competitive, are they not?

A. No, they are not. They are 60 on the truck competitive.

Q. All of them?

A. There are specific ones that are on 40 -- on an agreed charge. There is some in that 1355 F of the C. P. They have 60, 40 and 30 on trucks, and if you will remember, some years ago when times were tough, we came to the railway companies and got a minimum of 30,000



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2 pounds because money was tight then, and that is all the
3 credit we could afford to give the average customer, and
4 that is the reason for that, and it still is.

5 Q. All your truck competitive rates, whether
6 on 40 or 60,000 pounds minima, that were increased by
7 17 per cent were reduced again to the previous level
8 some time in February, 1959?

9 A. That is it.

10 Q. So, actually your industry, in the main,
11 did not take the last increase at all?

12 A. Correct, but, at the same time, where you
13 are over two lines those rates are not applicable. So,
14 supposing you were shipping out of Blind River to
15 Bracebridge or Bradford, that fellow would be out of
16 luck as compared to the man in Orillia or a competitive
17 point.

18 Q. Have you discussed this with the railways
19 to see whether you can get the competitive rates made
20 applicable to not only intermediate stations, but ---

21 A. Yes, we have in some of them; they apply
22 to intermediate points. Some of they don't.

23 Q. You mean the competitive rate applies to
24 an intermediate point?

25 A. Yes, some of them do in the Ontario north-
26 land, but you have got to watch your step because one
27 railway will be a little bit more generous than the
28 other, and you will find out, if you ship it on the
29 other fellow's stuff, you are licked; but, if you ship
30 it on the right way -- you have got to know what you are
doing; you have got to be a Philadelphia lawyer.



1
2 Q. Well, that leads me, quite logically, to
3 the next question. You were talking about simplification
4 of tariffs?

5 A. Yes.

6 Q. A matter that has been spoken of with
7 great feeling by a number of parties. Your suggestion,
8 as I recall it, to Mr. Cooper, was that if the situation
9 surrounding the Crow's Nest Pass rates was adjusted to
10 your liking, then the tariff structure of Canada would
11 be infinitely simpler?

12 A. That is it.

13 Q. You and I know that in the United States
14 there is no Crow's Nest Pass agreement?

15 A. That is right.

16 Q. And we also know that American railway
17 tariffs are infinitely worse than the tariffs of the
18 Canadian railways?

19 A. I will agree.

20 Q. So, therefore, you could not really hope
21 that the mere removal of the Crow's Nest Pass agreement
22 would automatically lead to a simplification of Canadian
23 tariff structure?

24 A. Well, we live in hopes that some day,
25 somewhere, some place you will be able to pick up a
26 tariff and get the rate -- at once, instead of spending
27 the next fifteen minutes finding out how many increases
28 you put on it. That is the point we are trying to make
29 -- trying to get them so that any person can read them.

30 Q. In your competitive rates you have no
trouble at all -- you just go to the requisite tariff



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2 and you don't even have to put an increase on; you can
3 read that particular rate out of the tariff?

4 A. That is right.

5 Q. So, that is an exception rather than the
6 rule?

7 A. Exactly.

8 Q. You were discussing, I think with Mr. Cooper,
9 the maximum movement of truck, and you mentioned it was
10 in the range of 350 to 400 miles?

11 A. Yes.

12 Q. I seem to remember a rate from Nakina,
13 Ontario, to Toronto, which is truck competitive over a
14 range of 705 miles; is that an exception?

15 A. I would say we are hitting about an average;
16 there may be an exception. For instance, you (Mr. Hume)
17 are trucking it in from Saskatchewan; is that right?

18 MR. HUME: I don't know, but we will certainly
19 try and find out.

20 THE WITNESS: I understand you are.

21 MR. HUME: I am not surprised to hear you say
22 that.

23 MR. MANN: Q. If that is so, is the rate the
24 only consideration, or are there other features that
25 encourage the trucking of lumber? I think you already
26 touched on that when you talked to Mr. Cooper about the
27 importance of places located not on a siding and so
28 on?

29 A. Yes.

30 Q. Are those things that might influence
whether or not a movement will take place by truck?

A. Yes, sir.



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2 Q. And I suppose one of the other considerations
3 is that lumber sometimes is required on the job site?

4 A. That is it.

5 Q. And the job site is not necessarily -- in
6 fact, infrequently on rail?

7 A. You are correct.
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2 Q. Could the railways get some of this
3 traffic if it were possible to piggy-back lumber?

4 A. You mean delivered by van?

5 Q. Yes.

6 A. Yes.

7 Q. Would you leave it closed or could you
8 do that with a flat bed truck?

9 A. A flat truck.. You would bend your
10 stock and you would lift the door.

11 Q. Is it cheaper for the lumber yard operator
12 to handle package lumber off a truck than it is to
13 handle it out of a box car?

14 A. If the box car door is sufficiently wide
15 it is no problem for us to handle it.

16 Q. You do that with labour?

17 A. Yes. They bend it and then turn it
18 and run it out.

19 Q. Do you need special equipment for that?

20 A. Yes. Right today everything is
21 mechanized as far as possible; you get away from labour,
22 and the average man wouldn't pick up a bag of sand, you
23 have got to get the lift loader.

24 Q. Your industry has been very aggressive
25 in seeking alternate means of transport, and I think
26 you said that if you haven't alternate transport you
27 certainly have the means to do something about it.
28 What would happen if your industry were not able to get
29 alternate transport, because of location and things like
30 that?



1 A. We would have to suffer or go out of
2 business.

3 Q. And you think there are some locations in
4 Canada that are in that position?

5 A. I wouldn't know.

6 Q. On page 3, Mr. Halliday, starting on
7 page 2 at the bottom and going over to page 3, you
8 mention escalator clauses in agreed charges. Is it
9 the opinion of the Canadian Lumbermen's Association that
10 every agreed charge should not have the deferred
11 escalator clause but the original escalator clause?

12 A. In other words, your question is whether
13 or not it should have an escalator clause?

14 Q. Yes.

15 A. It all depends on how good a bargainer you
16 are.

17 Q. You have no principle that the Association
18 recommends?

19 A. No. You make the best bargain you can,
20 and it all depends on who you are.

21 Q. You say of some 500 agreed charges which
22 are in effect less than 25 have an escalator clause.
23 Now, those 25 were poor bargains?

24 A. Well, you can arrive at your own conclusion.

25 Q. The tables 3 and 4, Mr. Halliday, attempt
26 to show a relationship between revenue of the freight
27 load and the production of sawn lumber. If you had
28 produced those tables for Ontario and Quebec only, would
29 they look any different, do you think?
30



1 A. That I cannot say. It all depends on
2 what the west had.

3 Q. Just two more questions, Mr. Halliday.
4 We have heard a lot before this Commission about a
5 national transportation policy. Does the Association,
6 the Canadian Lumbermen's Association, think there should
7 be one uniform national transportation policy or should
8 such a policy consist of a series of policies directed
9 towards meeting the needs of several economic regions?
10

11 A. That is a question I cannot answer. It
12 would take considerable consideration by our board as
13 to just what is required, and they would have to have
14 a lot more facts than they have at their disposal at
15 the present time to arrive at what they consider would
16 be the correct thing to do.

17 Q. The Association hasn't addressed its mind
18 to that at all?

19 A. No.

20 Q. What about horizontal increases, of which
21 we have heard an awful lot? Has the Association ever
22 appeared before the Board and commented on horizontal
23 increases?

24 A. No.

25 Q. They never have?

26 A. No.

27 Q. And you have no views on them now?

28 A. No.

29 COMMISSIONER MANN: Thank you very much, Mr.
30 Halliday. You have been very helpful.



1 BY COMMISSIONER PLATT:

2 Q. I have a question I would like to ask
3 you. I believe you suggested that the railways should
4 be free to enter into the trucking business or any other
5 mode of transportation it desires, an integrated type
6 of transportation. Do you feel that if this were done
7 there would be any danger of lack of competition?
8

9 A. No, they would have plenty of competition
10 with other truckers. The railway company today, as I
11 see it, is a common carrier and, as I understand it,
12 the trucker is not. In other words, the trucker can
13 get the top stuff and the other fellow can take the
14 guts and feathers.

15 Q. I believe you said that you had members
16 in the maritimes. Do the maritime members share your
17 views on subsidization?

18 A. Yes, I imagine they do to a certain
19 extent. Of course, they have the Maritime Freight
20 Rate Act, and whether you call that subsidization, I
21 don't know.

22 COMMISSIONER PLATT: Thank you very much.

23 BY THE CHAIRMAN:

24 Q. Mr. Halliday, just a couple of questions.
25 Do you export any lumber to the United States?

26 A. Oh, yes, sir.

27 Q. How much of it?

28 A. Oh, 45 per cent.

29 Q. And do you have any difficulty in
30 negotiating with the American roads?



1 A. Do you mean for rates?

2 Q. Yes.

3 A. You have your published rates in effect.
4 No, we negotiate through the railways here for rates.

5 Q. Now, another question, Mr. Halliday. Do
6 I understand from you that in your western yards you
7 really have a pool of various members' lumber?

8 A. Various species of lumber?

9 Q. Yes.

10 A. Yes, sir.

11 Q. Well, various members use the same yard?

12 A. No, the yard belongs to us, belongs to
13 the Laidlaw Lumber. It is an assembly yard, and we
14 sell to the trade.

15 Q. Do each have their own yard?

16 A. Well, yes, we have our own yard. We have
17 32, 35 acres there.

18 MR. SINCLAIR: The comment I would make which
19 arose out of a statement by Commissioner Mann that, for
20 instance, on grain it didn't matter how long it took. I
21 must say to the Commission that in part of it how long
22 it takes in transit, particularly at terminals --
23 apparently this is the view of some people, and I would
24 draw that comment to the attention of the Commission, and,
25 as the Commission knows, there is no demurrage on grain,
26 and I didn't know if that is what Mr. Mann had in mind
27 or not. But I don't know if there has been any evidence
28 before the Commission that it didn't matter how long grain
29 took in transit to export positions. Maybe there has been
30



1 some; I don't know -- except on this demurrage where
2 we do know something about that.

3 COMMISSIONER MANN: Well, Mr. Sinclair, I
4 don't think there is very much difficulty about this.
5 There are two interests: the interest of the railway
6 and the interest of the shipper. What I had in mind,
7 Mr. Sinclair, was simply this, that it did not matter
8 to a shipper of grain -- the transit part was not as
9 important to a shipper of grain; for instance, the
10 transit part to a shipper of l.c.l. merchandise or
11 lumber. That is precisely what I had in mind.
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2 MR. SINCLAIR: Well, it all depends on who is
3 the shipper. If the shipper is the man who owns the
4 grain and that happens to be the Wheat Board and they
5 have lots of grain in position, it does not matter to
6 them, but if the shipper happens to be somebody who is
7 not going to be paid till it gets there, it does matter
8 quite a bit to him. If you are saying that there is a
9 mass marketing of grain, if that is the point you have
10 in mind, there is not mass marketing of lumber. I
11 thought you might have had reference to the fact of
12 demurrage.

13 COMMISSIONER MANN: No. I do not know enough
14 about demurrage. We have not had enough evidence on it.

15 MR. SINCLAIR: There is lots of evidence on
16 record before the Board of Transport Commissioners and
17 the Supreme Court of Canada, and so I will take this
18 opportunity to suggest to the Commission that that entire
19 record be filed so that the Commission can be fully
20 informed.

21 THE CHAIRMAN: I think we are well enough
22 informed so far.

23 THE WITNESS: I think Mr. Sinclair has a good
24 point, because it is not very long ago, I think it is
25 six months ago, that we went to the Canadian Pacific
26 railway to see if we could get equipment from the west
27 to bring down lumber, and they told us it was a pretty
28 tough job, that the bulk of the equipment was standing
29 at the elevator points waiting on moving.

30 MR. SINCLAIR: Thank you very much.

THE CHAIRMAN: It is only fortunate that



1
2 Mr. Frawley is not here.

3 THE WITNESS: I am sure we have missed him in
4 more ways than one.

5 THE CHAIRMAN: Thank you very much.

6 THE WITNESS: On behalf of the C. L. A.,
7 I wish to say that we appreciate very much the privilege
8 of presenting our brief and being here today to present
9 it.

10 THE CHAIRMAN: Now Mr. Guest or Mr. Alley?

11 MR. ALLEY: I was instructed just before I left
12 Vancouver that unfortunately no member of the Ontario
13 Manufacturers Association could be present before this
14 Board to present their brief. In discussion last night I
15 was directed to ask this Commission if the brief might
16 be taken as read?

17 THE CHAIRMAN: Is there any objection to this?

18 MR. DOHERTY: Many of us, including myself, have
19 not even seen a copy of the brief. So it is rather
20 difficult to pass on its being taken as read when we have
21 not even seen what is in the document.

22 MR. SINCLAIR: I think there are a number of
23 matters in this brief, for instance, there is the question
24 of the differential between the interior and the Pacific
25 coast, and there is a question of minima between the coast
26 and the east, and there is a question of stop-offs, which
27 is a competitive situation with regard to the United
28 States. All the matters I have mentioned, I think, are
29 within the jurisdiction of the Board of Transport, and
30 indeed, in regard to the circuitous routing and stop-offs,
there is a case now going on before the Interstate Commerce



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2 Commission on which I do not think there has been a
3 decision to date. While I appreciate the fact that
4 Mr. Alley is in the position that there is no witness here,
5 I think it was to some of us too bad that the well-known
6 interior lumberman, Mr. "C. W. B.", whose interests are
7 in the interior at times and on the coast at times, was
8 not here to answer the questions in an evidential way,
9 but I think that my position on behalf of the Canadian
10 Pacific would be that the matters raised in this brief
11 are matters before the Board of Transport and indeed the
12 problem arising from differentials was dealt with in the
13 Board's judgment of 28th December, 1956, in the pamphlet
14 copy of Commissioner Knowles' remarks on pages 29 and
15 30. This entire matter is a matter that the Board can
16 deal with, if the parties can deal with it themselves,
17 as the Board has dealt with it in the past. There were
18 special hearings to deal with lumber differentials and
19 they were disturbed for various reasons. My point is that
20 the brief does not have somebody to speak to it, because
21 those points are under the order-in-council before the
22 Board's jurisdiction.

23 THE CHAIRMAN: I think that is quite right.
24 Most of the matters are Board of Transport matters which
25 we are precluded from dealing with, but I think we might
26 receive the brief and it might be read into the record.

27 You can so advise Mr. B.

28 MR. ALLEY: Thank you very much.

29 THE CHAIRMAN: Now that concludes our program
30 for today. It is a little different from Winnipeg,
Mr. McDonald?



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MR. McDONALD: Yes, we are a little slack now.

MR. SINCLAIR: Ottawa is different in many ways.

THE CHAIRMAN: Tomorrow morning we will have the
Granite Industries Association. There is nothing further
this morning. We will now adjourn until ten o'clock
tomorrow morning.

---Adjournment.



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TORONTO, ONTARIO

SUBMISSION OF

THE INTERIOR LUMBER MANUFACTURERS' ASSOCIATION

(To be inserted at the
end of Volume 50)

The Interior Lumber Manufacturers' Association represents 110 of the largest forest products shippers in the southern interior of British Columbia. In addition, we have as associate members a group of the largest wholesalers responsible for marketing and routing of a very large percentage of this production.

Of the one hundred and ten manufacturers eighty-five per cent are almost 100 per cent dependent upon rail services for the transportation of their product from mill to destination; having no water cargo shipping facilities and, at present, being too distant from natural markets to utilize trucks.

The remaining fifteen per cent of our membership are dependent upon rail transportation to varying degrees. Being located in the territory east of Nelson, throughout the Windermere Valley and adjacent to Golden they are able to market a percentage of their shipments for transportation by truck at lower than rail rates. However, because of competition from manufacturers located in Alberta and because a large percentage of their production is not suited to the truck haul market, they also are very dependent upon rail transportation.

Hence, the entire membership of the I.L.M.A. is vitally concerned about the welfare of the railways



1 knowing that when the railways are compelled to raise
2 rates or reduce services our ability to market our pro-
3 duction suffers; that losses and unemployment result.
4 Our submission is drawn for what we believe to be the
5 common good.

6
7 2. This Association is in agreement with the
8 brief presented to the Commission by the B. C. Lumber
9 Manufacturers' Association in Vancouver on February 23,
10 1960.

11 3. In 1954 and early 1955, an agreement was
12 reached between the railways and lumber shippers from the
13 B. C. coast and interior on the establishment of group-
14 ings and differentials to destinations in western Canada.
15 In the interior groups adjacent to the coast group, these
16 differentials have been almost eliminated due to the
17 effect of parity rates between Canadian and American coast
18 shippers, on the percentage increase of 17% in December,
19 1958 (and the subsequent reduction of this increase in
20 August, 1959 to 10%).

21 We have had considerable correspondence with
22 the railways over the past year regarding these distor-
23 tions. The only answer we have received has been the
24 vague reply that the matter is "under consideration".
25 These differentials, as agreed to in 1954 and 1955,
26 should be re-established without delay and maintained

27 Crow's Nest Agreement.

28 4. In this matter we agree with the proposals
29 contained in the brief submitted by the Government of
30 British Columbia, in which the following is recommended



- (1) Crow's Nest Pass rates should remain under statutory control and at the existing level.
- (2) A subsidy should be paid to the railways from national funds. The subsidy should recompense the railways for out-of-pocket losses arising from the carriage of such grain, plus a fair contribution to overhead at the end of each crop year.
- (3) The subsidy should vary with the loss.
- (4) That the inequities suffered by other shippers as a result of the statutory rates be adjusted from subsidies received by the railways.

We realize that failing freight rate adjustments, our own industry might be compelled to petition for similar relief.

5. Horizontal increases.

Horizontal "percentage" freight rate increases which have been imposed during the past twelve years are detrimental to our industry. The respective manufacturers purchased timber and equipment and set up in business having regard to the geographical, local topography, weather conditions and reasonable natural marketing areas and in all calculations the cost of transportation to these markets (when compared to transportation costs from other producing regions) was taken into consideration in the factor which is commonly known as "spreads". The imposition of horizontal "percentage" increases has distorted these "spreads".



We recommend that, in future, no flat percentage increase in rates be applied to lumber.

6. We recommend that freight rates should be calculated on the shortest continuous mileage regardless of the number of railways involved in the haul from shipping point to destination. In other words, that the facilities of all railways should be pooled in rate making. This would be particularly helpful to the railways in meeting truck competition. For example:

Cranbrook to Humboldt (CPR) - 97¢

Cranbrook to Humboldt (CNR) - 105¢ should be 97¢

Princeton to Battleford (CPR) - \$1.14

Princeton to Battleford (CNR) - \$1.20 should be \$1.14

7. We recommend that carload lot minimums should be equalized on hauls to both western and eastern destinations. Current tariffs stipulate:

	<u>Western</u>	<u>Eastern</u>
Lumber	50,000#	50,000#
Plywood	50,000#	40,000#

A general reduction to a 40,000 pound minimum for both lumber and plywood would be advantageous to both railways and the industry.

Canadian railways with present minimums of 50,000 pounds are in direct competition with U. S. railroads who have minimums of 40,000 pounds, 44,000 pounds and 50,000 pounds. As an example the minimum of the Great Northern Railway from U. S. and Canadian Coast points to Winnipeg has a minimum of 44,000 pounds.

8. "Circuitous routing" and "15-day hold-over"



(Tariff C.P.R. # W 1006), allowances add to railway costs and are detrimental to the orderly marketing of lumber.

We recommend that they be eliminated forthwith. Shippers desirous of utilizing railway equipment for the purpose of warehousing or for speculative marketing should be charged substantial rentals and, also, be charged higher than through rates. In consideration of this matter it should be kept in mind that circuitous routing and hold-over marketing of lumber does not increase the consumption of lumber per year by as much as one board foot: It does not increase the railways' revenues per year by one cent. It does add to railway costs.

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